



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

TX 657.2 .B472 PT.1
Bennett, Robert Joseph,
Bookkeeping and accounting exercises ...

Stanford University Libraries



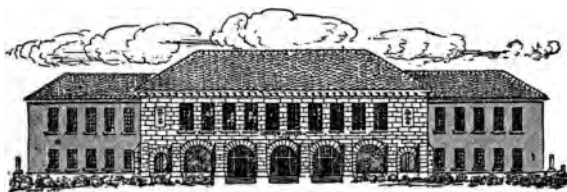
3 6105 04938 0038

BOOKKEEPING
AND
ACCOUNTING EXERCISES

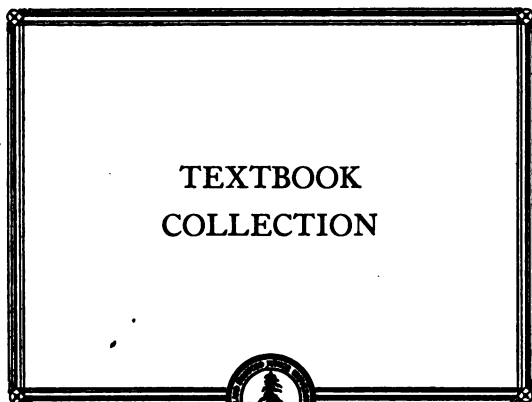
BENNETT

PART I

Tx.
657.2
B472
pt.1



**SCHOOL OF EDUCATION
LIBRARY**



**TEXTBOOK
COLLECTION**



**STANFORD UNIVERSITY
LIBRARIES**



BOOKKEEPING AND ACCOUNTING EXERCISES

PART I

BY

R. J. BENNETT, C.A., C.P.A.
=

DEPARTMENT OF EDUCATION
LELAND STANFORD JUNIOR UNIVERSITY



NEW YORK .. CINCINNATI .. CHICAGO
AMERICAN BOOK COMPANY

627484

COPYRIGHT, 1912, BY

R. J. BENNETT.

ENTERED AT STATIONERS' HALL, LONDON.

BENNETT'S BOOKKEEPING AND ACCOUNTING EXERCISES, PART I.

W. P. I

PREFACE

THE need of suitable supplementary exercises in bookkeeping to test the thinking ability of the student has been apparent to me for several years, and has prompted me to prepare this series. The character of the work is made general in order to cover the ground fully, and the exercises are graded in order to bring out the student's best efforts. Some of the questions may seem hard, but it has been thought best to make them so, because plenty of easy material may be found in the regular textbooks. After some careful study and thought, however, they may not seem so hard as a first glance would indicate. No *rules* are given, as they are contained in all leading bookkeeping texts. Where necessary the teacher should make suggestions as to the proper procedure in working any particular example.

The exercises may be used with any textbook, either for class drills, home work, examinations, or for supplementary work. Part or all of the questions in an exercise may be assigned for a lesson, as the teacher may deem advisable. Review questions are found every tenth exercise, and a general review is given at the end.

Special features of the book are the chapters containing extended discussions of "Business Statements," "Errors and Trial Balances," "Manufacturing, Trading, and Profit and Loss Statements," and "Auditing." These are not covered at any great length in textbooks on bookkeeping, and therefore should be of special interest to the teacher and the student.

Journalizing is given only subordinate place, as modern systems of bookkeeping make use of the Journal to a limited extent. The principle of debit and credit, and the equilibrium of the ledger, however, are constantly kept in mind.

The teacher will find herein exercises for all stages of the work, both junior and intermediate, and the advanced student may find plenty of scope for testing his knowledge of book-keeping and accounting.

Both teacher and student should keep in mind that observation and actual experience must be combined with study and practice in order to produce first-class bookkeepers.

The exercises are divided into two parts, Exercises 1-39 being the Elementary, and 40-61 the Advanced. The Advanced Exercises are designed for advanced students in commercial and high schools, and for classes or individuals in higher accounting. These questions are well adapted to the work of advanced accounting, and are carefully graded to meet the needs of students of accountancy.

Answers are not included, as the methods of working and arriving at results are the main objects desired, which in many cases involve a considerable exhibit of details. Accuracy is required at every stage of the work, and nothing else should be accepted.

"What is worth doing at all is worth doing well."

R. J. BENNETT.

CONTENTS

PART I

	PAGE
EXERCISE 1. DRILL IN JOURNALIZING	7
EXERCISE 2. DRILL IN JOURNALIZING	9
EXERCISE 3. DRILL IN JOURNALIZING	11
EXERCISE 4. SET TO BE WORKED. WITHOUT JOURNAL	12
EXERCISE 5. ENTRIES TO PERSONAL ACCOUNTS	13
EXERCISE 6. ACCOUNTS AFFECTING LOSS AND GAIN	15
EXERCISE 7. ENTRIES IN CASH BOOK	17
EXERCISE 8. SET OF TRANSACTIONS FOR STORE	18
EXERCISE 9. JOURNALIZING NOTES AND DRAFTS	20
EXERCISE 10. REVIEW QUESTIONS	23
ANNUAL STATEMENTS	25
EXERCISE 11. NOTES AND DRAFTS WITH ENTRIES	29
EXERCISE 12. SET TO BE WORKED. CARD LEDGER AND BALANCE SHEET	31
EXERCISE 13. SUPPLYING DAYBOOK ENTRIES	34
EXERCISE 14. SHIPMENTS AND CONSIGNMENTS	35
EXERCISE 15. SHIPMENTS AND CONSIGNMENTS	38
EXERCISE 16. ERRORS AND TRIAL BALANCES	41
EXERCISE 17. ADJUSTMENT ENTRIES	43
EXERCISE 18. SET TO BE WORKED. LEDGER ONLY	46
EXERCISE 19. MISCELLANEOUS ENTRIES	48
EXERCISE 20. REVIEW QUESTIONS	50
ERRORS AND TRIAL BALANCES	52
EXERCISE 21. MISCELLANEOUS EXAMPLES	58
EXERCISE 22. SETS TO BE WORKED. BOOKS TO BE RULED	60
EXERCISE 23. STOCKS, BONDS, AND MORTGAGES	63
EXERCISE 24. SPECIAL COLUMN CASH BOOK	65
EXERCISE 25. SET TO BE WORKED	66
EXERCISE 26. BOOKS TO BE RULED UP	68
EXERCISE 27. PARTNERSHIP ENTRIES AND ADJUSTMENTS	70
EXERCISE 28. FINANCIAL STATEMENTS	71
EXERCISE 29. CASH BOOK. TWELVE COLUMNS	73

	PAGE
EXERCISE 30. REVIEW QUESTIONS	75
EXERCISE 31. SET TO BE WORKED. PARTNERSHIP	77
EXERCISE 32. SINGLE ENTRY SET	79
EXERCISE 33. SET TO BE WORKED	81
EXERCISE 34. SALES, PURCHASES, MERCHANDISE	83
EXERCISE 35. SINGLE ENTRY STATEMENTS	84
EXERCISE 36. PARTNERSHIP ADJUSTMENTS	87
EXERCISE 37. CIVIL SERVICE EXERCISES	90
EXERCISE 38. CASH AND MONTHLY STATEMENTS	92
EXERCISE 39. REVIEW QUESTIONS	95

BOOKKEEPING AND ACCOUNTING EXERCISES

PART I

EXERCISE I

Drill in Journalizing

Personal Accounts, Merchandise and Cash

Use journal paper and make entries for the following transactions:

1. Paid cash for merchandise as per invoice, \$300.

Cash means money, checks, bank drafts, postal and express money orders, etc.; in fact, anything that can be readily converted into money.

2. Sold merchandise for cash, \$100.
3. Bought of Peter Smith & Sons merchandise per invoice, \$185, terms on acct. 10 days.
4. Bought merchandise from Newcomb, Endicott & Co., \$360, terms one half cash, balance 15 days.
5. Paid Globe Installment House cash to balance account, \$68.
6. C. S. Cook brought you farm produce, \$28.60, to apply on his account.
7. Paid Wm. H. Elliott & Co., \$160, in full of account, per statement rendered.

It is the custom for merchants to give an itemized bill or invoice with each sale of goods, and at the end of the month to render a statement showing the totals of the several invoices given during the month. This statement, in the case of a running account, shows the balance due at the beginning of the month, to which is added the amount of sales. From the total is deducted the amount of any credits or payments that have been received during the month; the balance shows the amount owing.

8. Delivered merchandise to Chas. Leach, \$48, per written order of W. F. Jewell, which he agrees to pay for in 5 days.

9. Gave John Blessed & Sons check for \$31.65, to apply on account of groceries.

10. Received currency for sales of merchandise, \$55.80.

Currency means the money which passes current throughout the country — gold, silver, minor coins, and paper money.

11. Shipped merchandise to John Wanamaker, Philadelphia, \$350, per his order of recent date. He sent a check for \$150 to apply on account.

12. Brought merchandise of Wm. H. Elliott & Co., \$500. Paid one half by check and asked them to bill the balance at 30 days.

13. Paid Peter Smith & Sons in full of account, \$185, in currency.

14. Sold Wm. B. Thompson for check, merchandise, \$850.

15. Gave the above check to Grinnell Bros. to apply on account.

The practice of transferring checks in this manner is not a good one, but it is done by many persons who do not maintain bank accounts.

16. Bought of Peter Smith & Sons merchandise, \$170. Gave them an order on themselves drawn by H. C. Beck for \$50, and your check for \$75.

17. Received a check from Daniel Wright in full of all demands, \$45.

Sometimes a receipt is given or a check taken which receipts "in full of all demands." Care should be taken when giving such a receipt to satisfy one's self that there is nothing overlooked.

18. Deposited in the bank checks and currency amounting to \$520.

19. Paid Newcomb, Endicott & Co., by check, \$180, in full of account.

20. Sold for cash merchandise, \$1105; and bought for currency, merchandise, \$36.

21. Drew from the bank by check \$50 for ready change.

Exercise in Ruling Accounts

22. Rule up a form of Ledger account for Robt. Harding. Show therein five purchases of goods that you made at different

dates, and four payments of cash on account of same, made at different dates.

Use foolscap paper, and aim to rule up forms that will be beyond criticism. One cannot afford to do other than his very best work.

23. Rule up an account for Paul Wilson. Show therein five sales of different dates, and six payments of different dates in full of the account. Rule off and close the account.

24. Rule up a merchandise account and show therein five purchases and five sales.

EXERCISE 2

Drill in Journalizing

Bills Receivable, Bills Payable, and Expense

Rule up foolscap paper in journal form and make entries for the following :

1. Bought merchandise of T. B. Rayl Co., \$350. Paid cash \$100, and the balance by note 30 days.
2. Bought merchandise of Buhl Sons Co., on account, \$210.80.
3. Sold merchandise for cash, \$85. Paid petty expense bills, \$23.
4. Sold J. D. Tuckey merchandise for note 15 days, \$75.
5. Sold A. W. Livingston merchandise, \$290, one half cash and balance note 30 days.
6. Paid rent of store, \$60. Sold merchandise for cash, \$160.
7. Ordered of J. L. Hudson Co., merchandise, \$225. Gave check for \$75 in part payment, the balance to be paid 15 days after receipt of goods.
8. Paid Buhl Sons Co., cash, \$125, to apply on account.
9. Received the merchandise ordered of J. L. Hudson Co. on the 7th.
10. Bought merchandise of Peter Smith & Sons, \$375. Gave them in part payment A. W. Livingston's note for \$290, and the balance in cash.

11. Sold merchandise for cash, \$108. Paid salaries of clerks to date, \$85. Paid for cleaning and repairing store, \$43.

12. Sold merchandise to W. H. Shaw on account, \$165.50.

13. Bought merchandise of Samuel Black per invoice, \$300. Paid \$90 on account.

14. Sold merchandise to Buhl Sons Co., \$95. Received from them cash to balance account.

15. Sold for cash to A. W. Livingston, merchandise per invoice, \$68.30.

16. Paid cartage bills in cash, \$42.85. Gave R. H. Pinkerton your 10-day note to balance account, \$130.

17. Sold merchandise to D. W. Gridley, \$278. Received from him in part payment a note made by John Palmer for \$90, due in 12 days, and cash, \$100.

18. Settled your account with Samuel Black by giving your 15-day note for \$150, and the balance in cash.

19. Sold merchandise to R. H. Pinkerton, \$211.65. He returned your note of 16th in part payment. J. D. Tuckey paid his note due to-day. You have canceled and returned it to him.

20. Bought merchandise of Miller & Gray on account, \$170; and of Buhl Sons Co., for 15-day note, \$250.

21. Paid J. L. Hudson Co., on account cash, \$100. Prepaid your note of the 1st favor T. B. Rayl Co.

When a note is paid, it is usually marked "Paid" across the face and returned to the maker. Sometimes the signature is defaced with pen and ink, and in some cases torn off entirely. These, and other precautions, are taken to prevent its being used again by unscrupulous persons. The canceled note should be kept in the safe to serve as a voucher as well as evidence of payment in case of necessity.

22. Received cash of W. H. Shaw in settlement of account. Paid expenses in cash \$48.20, and salaries, \$85.

Exercise in Ruling Accounts

23. Rule up a Bills Receivable account showing five debits and three credits.

24. Rule up a Bills Payable account showing four credits and three debits.

25. Rule up an Expense account showing eight debits and two credits, and show how it should be closed at the end of the year.

EXERCISE 3

Drill in Journalizing

Proprietor, Interest, Discount, Property, Mortgages

Rule up journal paper and enter the following :

1. You began business to-day and invested cash, \$2500.
2. Paul Jones began business investing cash, \$1000, and merchandise, \$1200.
3. H. C. Beck began business with the following resources : cash, \$500, merchandise, \$750, Chas. Field's 60-day note which will be due in 15 days, \$400, an account owing by Frank Comford, \$150, and a store valued at \$1500.
4. W. F. Jewell began business and invested cash, \$1500, stock of goods, \$1800, furniture and fixtures, \$1250. He owed at the time a note of \$550, held by a wholesale house, and also for goods purchased of Brown Bros., \$350.
5. Bought desk for office, \$60, and books and stationery, \$15.
6. Paid for printing and advertising, \$22.50; and \$30 for sign and window lettering.
7. Gave Smith & Long your note at 30 days, with interest, for \$150.
8. Paid a note due to-day, \$220, and interest on same, \$7.60.
9. Received from D. W. Springer, his note at two months to settle his account, \$85, interest 6 %.
10. Abe Harris paid his 50-day note due to-day, \$145, with interest at 5 %.
11. Your note for \$560 in favor of D. Horton will be due in 42 days. He is in need of money, and offers to take \$550 in full settlement, which you give by check.
12. Bought house and lot, 38 Joy St., for \$9000. Gave cash, \$5000, and a mortgage on the property for the balance.
13. Bought 3 lots on Palmer Ave., for \$2000 cash. Sold one

of the lots for cash, \$900; and another for \$1200, one half cash, and a mortgage for the balance.

14. Bought furniture for office, \$180, and fixtures for store, \$360.

15. Bought furniture and fixtures of People's Outfitting Co., on the installment plan, \$550. Paid cash on it, \$50.

16. Discounted your 30-day note for \$300, at the bank. Get two good indorsers.

17. Paid your note favor W. H. Shaw, due to-day, \$180, and interest for 45 days.

18. Received cash for a note due to-day with interest, \$184.50. The note is for \$180.

19. Prepaid your note of \$575, less discount to maturity, 17 days.

20. Exchanged your 10-day note for \$85, with A. J. Kerr for his check.

21. Exchanged checks for \$100 with L. B. Moffett.

22. Exchanged notes at 60 days with S. L. Billings, for \$150.

Exercise in Ruling Accounts

23. Rule up the capital accounts for H. C. Beck and W. F. Jewell, and enter the items shown above in 3 and 4.

24. Rule up an account for Furniture and Fixtures, and post into it all the items shown above.

EXERCISE 4

Set to be worked. Without Journal

Enter the following transactions in the Ledger and take off a Trial Balance.

No journal entries are required, as the amounts are to be entered directly into the Ledger accounts.

1. You invested cash, \$500, and merchandise, \$700.

2. Bought merchandise of Pardridge & Blackwell on account, \$340.

3. Sold merchandise for cash, \$140.60.

4. Paid for office expenses, \$34.85.

5. Sold merchandise to John D. Tuckey, \$235. Received \$100 on account of same.
6. Bought merchandise of Cooper & Levy, \$185.25. Gave them your 30-day note for \$100, and cash for the balance.
7. Paid for rent of store, \$125.
8. You took merchandise for private use, \$74.50.
9. Sold for cash, merchandise, \$350.
10. Bought for cash at auction sale, merchandise, \$210.
11. Gave Pardridge & Blackwell on account, \$150, and ordered of them merchandise, \$280, on account of which you gave note for \$200.
12. Sold merchandise to S. J. Quinn on account, \$195. Received from him in part payment R. W. Main's note due in 18 days, \$85.
13. Sold merchandise for cash, \$111.90. Paid expenses, \$82.75.
14. Paid salaries, \$145. Sold merchandise for cash, \$81.85.
15. Bought merchandise of J. L. Hudson Co. on account, \$129.30. Gave check for \$50, on account of same.
16. Sold merchandise to Vincent & Dunning on account, \$385. Received on account of same, cash, \$100, and R. H. Zeman's note for \$150.
17. Sold merchandise for cash, \$178.20.
18. Received from John D. Tuckey, note at 10 days to balance account. Transferred the note to Pardridge & Blackwell for credit.
19. Paid for office expenses, \$38. Paid J. Calvert's Sons for coal delivered on the 2d, \$75.
20. Sold merchandise for cash, \$191. You drew cash, \$100, and merchandise, \$68.70, for private use.

EXERCISE 5

Entries to Personal Accounts

Rule up Ledger accounts and enter the following:

1. *Account with Charles W. Bennett.*

1. Sold him on account, merchandise, \$538.45.

2. Loaned him cash on account, \$115.
 3. Bought merchandise of him, \$292.15.
 4. Received of him his note, 10 days, on account, \$315.
 5. Bought of him merchandise, on account, \$440.
 6. Paid him cash on account, \$400.
 7. Gave him note, 6 days, on account, \$558.25.
 8. Sold him merchandise on account, \$396.12.
 9. Gave him on account, H. Baker's note, our favor, \$235.
 10. Bought of him merchandise, on account, 6 days, \$510.
 11. Loaned him cash on account, \$450.
 12. He worked for you 10 days at \$4.25 per day, on account.
 13. Received of him cash, on account, \$356.25.
 14. Sold him merchandise on 5 days' credit, \$395.15.
 15. Received of him his note, 5 days, on account, \$254.35.
- Show the account balanced and ruled up.

2. Accounts with C. H. Bennett, Geo. L. Woods, and James Anderson.

1. Sold C. H. Bennett, on account, merchandise, \$321.
2. Bought of Geo. L. Woods, merchandise, \$438.53.
3. Received of C. H. Bennett, F. Simpson's note, \$121.
4. Bought of James Anderson, on 10 days' account, merchandise, \$878.54.
5. Paid Geo. L. Woods' sight draft on us, \$238.
6. Credit C. H. Bennett for overcharges on merchandise, \$3.65.
7. Gave James Anderson, on account, draft on C. H. Bennett, \$112.50.
8. Sold Geo. L. Woods on 30 days' account, merchandise, \$458.15.
9. Gave James Anderson our note, 10 days, on account, \$310.
10. Sold C. H. Bennett, merchandise, on account, \$225.
11. Received of Geo. L. Woods, note 30 days, on account, \$186.13.
12. C. H. Bennett paid our sight draft on him, \$133.50.
13. Geo. L. Woods paid James Anderson for us, \$75.

14. Gave James Anderson, on account, C. F. Martin's note, \$315.
 15. Charge Geo. L. Woods with interest, on account, \$2.56.
 16. Paid rent in cash, \$65.
- Balance and rule up the accounts.

Questions

When answering a question, try to give an accurate answer rather than one that is incomplete and not to the point.

1. What is a *business transaction*?
2. How many persons are required to complete a business transaction?
3. What is an *invoice*?
4. What is a *bill*?
5. What is a customer's monthly statement? Make one.
6. What does an itemized statement of an account contain? Make one.
7. When is *expense* account debited? Credited?
8. How is expense account closed?
9. How is merchandise account closed?
10. What does a *daybook journal* contain?
11. Why are neatness and accuracy chief requisites in book-keeping?
12. What is the general rule for journalizing?
13. What is a *receipt*?
14. What is a *voucher*?
15. What is a *receipted* bill?

EXERCISE 6

Accounts affecting Loss and Gain

Make journal entries for the following:

1. Cash on hand, \$2000. Paid cash for rent of store in advance, \$75.
2. Bought 10 tons coal at \$7.25, of Pittmans & Dean Co. Gave them check for \$50, on account.
3. Paid petty expenses as per vouchers, \$18.60.

4. Paid cash for set of account books, \$35. A counterfeit bank note for \$5 has been found in the cash register.

5. Bought of Leonard Furniture Co., on account, furniture for office, \$230. Gave them an old desk valued at \$22, to apply on the account.

6. Paid gas bill in cash, \$16.58.

7. Paid cash for taxes, \$48; for electric light, \$8.40, and for water tax, \$3.78.

8. Paid salaries in cash, \$160, and a donation of \$60 to the City Improvement committee.

9. The janitor reported that water in the basement had damaged goods to the extent of \$110.50.

10. Paid cash for a second-hand typewriter, \$45, and for a mimeograph, \$10.

11. The goods reported damaged in the 9th have been disposed of for cash, \$14.

12. Paid cash for dues to Board of Commerce, \$25, and to Credit Men's Association, \$15.

Associations like the Board of Commerce, Chamber of Commerce, Board of Trade, Civic Committee, etc., are composed of the business and professional men of a city who have organized for the purpose of advancing the interests of their city. There are several other organizations composed of business or professional men which are formed for the mutual benefit of the members mainly, as the Credit Men's Association, Bankers' Association, Manufacturers' Association, Grocers' Association, etc.

13. You took goods from store for private use, \$85.

14. Andrew Craig, whose account is \$70, has failed and you accepted cash, \$35, in full payment as per composition deed.

A composition deed, or agreement, is an agreement in writing under seal between an insolvent person and his creditors, whereby it is agreed that the debtor upon payment of a certain part of the debt is to be absolved from further obligation.

15. Cash for the day is short, \$1.50. Paid cash for postage stamps, paper, and supplies, \$2.40.

16. Sent bank draft to John B. Ellison & Co., New York, in full payment of invoice received to-day, \$420. Exchange on draft was 50 cts.

17. Received invoice of goods from Burnham, Stopel & Co., Detroit, \$115, terms cash. You find on comparison that the goods are short to the value of \$14. Send them a check for \$50, on account of invoice, and notify them of the shortage.

18. Burglars broke into the store last night and took goods estimated at \$90, a clock worth \$10, and damaged property to the extent of \$75.

19. Paid subscriptions to magazines and newspapers, \$10.45.

20. Frank Lees, whose note for \$85 had been charged to loss and gain last year, paid \$50, on account of same, and stated that he would pay the balance in one month.

Exercise in Ruling Accounts

21. Rule up a Cash account and post to it all of the cash items called for in the above memoranda. Balance and rule up the account and bring down the balance.

Cash balance Jan. 1, \$2000.

22. Rule up a Loss and Gain account and enter therein all of the items in the above memoranda that would eventually be closed into it. Show the account properly closed and ruled up.

EXERCISE 7

Entries in Cash Book

Enter the following in the Cash Book, rule up, and bring down the balance.

1. Chas. Blancke invested currency and checks amounting to \$2000.

2. Sold merchandise for cash, \$35.

3. Paid cash for postage, \$3.

4. Bought merchandise for cash, \$180.

5. Loaned Jas. White on note 10 days, \$235.

6. Robt. Crawford becomes a partner and invests cash, \$1500.

7. Cash amounting to \$14.85, has been lost.

8. Paid freight bills in cash, \$26.50.

9. Paid cash for rent of store, \$150.

10. Frank Robinson paid cash in full of account, \$178.
11. Received cash from Paul Keen in full of note, \$175, and interest, \$7.80.
12. R. F. Cody has indorsed over T. S. Green's check of \$325, to apply on account.
13. Paid cash for coal and coke, \$42.
14. Cash is short to the amount of \$8.16.
15. Paid bookkeeper's salary in cash, \$100.
16. Paid Green & Sullivan cash, \$50, in full of account to the 10th.
17. Sent bank draft for \$100 to John Wanamaker, on account of an order for merchandise.
18. Chas. Blancke drew cash for personal use, \$60, and Robt. Crawford drew out \$70.
19. Received Post Office Order from A. H. Jennings to apply on account, \$35.
20. Paid expenses by check, \$48.75.
21. Sold merchandise for cash, \$144.
22. Cash is over \$1.05.

EXERCISE 8

Set of Transactions for Store

Enter the following, using Journal, Sales Book, Cash Book, and Ledger.

Make a Trial Balance and close the Ledger.

- MAR. 1. You began business by investing cash, \$1500, merchandise, \$1400, and furniture, \$800; and two notes outstanding for \$250 each.
2. Deposit all cash in the bank. Rented store, 909 Woodward Ave., and paid \$60 for one month's rent. Hired a clerk for \$12 per week. Paid \$22 for having sign painted. Sold for cash during the day, merchandise, \$95.
 3. Ordered goods from Adams & Claire of Pittsburgh, merchandise which will amount to \$380. Paid for petty expenses, \$11.50. Sold merchandise to Jas.

Bradley on account, \$140; and to Broomburg Bros., \$240, on which they advanced one half cash, the balance on account. Cash sales for the day, \$112.

4. Put in a new telephone and paid one month's rent of it, \$5. Arranged with local newspaper for running an advertisement twice each week for the next two months. Made an advance payment on it as a mark of good faith, \$15. Paid a note of \$250 which was due to-day. Sold merchandise to David Littleton for note 20 days, \$230, and to R. S. Collins on account, \$82. Cash sales, \$65. Paid cash for 5 tons coal, \$35.
5. Ordered merchandise from Higgins & Son, Cleveland. Sent them check for \$100 to apply on account, the balance to run for 30 days. Received the goods ordered from Adams & Claire on the 3d. Paid freight, \$22. Sent \$100, on account. Sold to P. W. Andrews for cash, merchandise, \$75, and booked his order for a similar amount on the 15th. Cash sales, \$70.
6. Paid clerk's salary. Expenses are paid amounting to \$9.80. Drew cash for household expenses, \$35. Cash sales, \$165.
8. Received cash from Jas. Bradley, \$50. Paid \$23, premium on insurance placed on goods Mar. 3.
9. Cash sales, \$45. Paid for fixing sidewalk and for painting front of store, \$48. Received merchandise from Higgins & Son as per invoice, \$290. Paid freight on it, \$16, and carting, \$6.40.
10. Part of the goods received from Higgins & Son on the 9th, valued at \$35, are returned to-day because of poor quality. Paid note due to-day, \$250. Cash sales, \$104. Petty expense, \$13.60.
12. Purchased goods of J. L. Hudson Co., \$250, and paid on account of same, \$75. Cash sales, \$86.
13. Paid clerk's salary. Received cash of Jas. Bradley, \$80, and of Broomburg Bros., \$50. Petty expenses

- are paid in cash, \$12. Cash sales, \$190. Drew for private use, \$200.
15. Sold merchandise to P. W. Andrews per his order of the 5th. Sold for cash to Jas. Bradley, merchandise, \$125, and to David Littleton on account, \$154. Cash sales, \$105.
 18. Sent cash to Adams & Claire, \$100, and ordered goods amounting to \$300. Paid cash for snow shoveling and cleaning, \$6.
 20. Sold for cash to David Littleton, merchandise, \$98. Sold merchandise to Jas. Bradley for note 30 days, \$160; received from him cash, \$125, on account. Sold to Broomburg Bros. on account, merchandise, \$250. Received invoice of merchandise from Adams & Claire, \$306. Paid freight, \$26. Paid clerk's salary. Paid personal expenses, \$43. Cash sales, \$211.
 24. Received cash for note due to-day. Sent cash, \$350, to Adams & Claire. Ordered from them merchandise, \$95, with instructions to ship at once by fast freight. Cash sales, \$83.
 27. Received the goods ordered of Adams & Claire. Paid freight, \$11.50. Paid Bornman & Son, \$25, on bill for printing amounting to \$42, received to-day. Paid clerk's salary, also salary to yourself, \$60. Cash sales, \$212.

Close the Ledger, rule up accounts, and make Balance Sheet.

Inventory of goods on hand, \$1740; and furniture, \$800.

EXERCISE 9

Journalizing Notes and Drafts

Use the Daybook Journal, making a full explanation with each entry.

MAY 1. Bought merchandise of Loyd & Taylor for your note at 30 days, \$300.

2. Sold merchandise to Fred'k Sears on account, \$185.
Received from him to apply on account, Chas. Burch's note for \$100, his favor, due in 8 days.
3. Delivered merchandise to Alex. P. Fox, \$20, per order of Thos. Maybury, a painter, who is doing some work on your store.
4. A messenger from the First National Bank has presented a sight draft for \$195, drawn by Brown & Brown Co., of Philadelphia, in full of account. You have paid it by check.
5. Henry Wagner's note in your favor for \$100 falls due to-day. He paid it by giving cash, \$25, four tons coal valued at \$28, an order on Farmer's Produce store for \$30, and a due bill for the balance to be paid in a few days.

An account may be opened for *due bills receivable*, if desirable, but this is not advisable, since it is better to have his personal account show the amount due.

6. You drew at 30 days' sight on Royal Baking Co., of Detroit, Mich., for \$340 in favor of Wagner Baking Co., and sent it to the latter to apply on account.
7. You have accepted John Wanamaker's 30-day draft for \$157.85, favor of Newcomb Endicott Co.
8. Drew at 10 days' sight on A. C. Yates & Co., Philadelphia, for \$85, and left the draft in the Second Street Bank for collection.
9. Exchanged notes at 30 days' sight for \$150, with Wm. W. Clark. You discounted Clark's note immediately.
10. The bank has notified you that David Reed's note for \$75, which you left for collection, has been paid and the amount placed to your credit.
11. The bank has notified you that R. S. Mackey's note for \$200, due to-day, has been dishonored, and that the amount has been charged to your account. It was discounted ten days ago.

12. You have received from the Model Laundry, a due bill for \$32, which you agreed to take out in work. Their bills for work done this week are \$3.40 for the store and \$2.95 for your residence, both of which are to be credited to their account.
13. You sold merchandise to Rob't Leiter amounting to \$164.90, for cash \$50, and his note at 30 days for the balance. As security for the debt and as evidence of good faith, he has left in your possession a double wagon valued at \$140.
14. You have indorsed David Mann's 60-day note for \$90, in favor of Kuhn & Blair.
15. Your sight draft for \$145 on Lyle & Lyle of Baltimore, which was deposited in the bank, has been returned unpaid. Paid the draft by check.
16. Elmer Willis gave you a check for \$85.60, in full for his note which will fall due in four days. The note had been discounted by you at the bank when received.
17. Geo. W. Slater's note for \$240, and interest \$8.40, is due to-day and he is able to pay only \$50 on same. The note has been discounted by you at the bank, and you are responsible for its payment. He gave you cash \$50, an order on the Buhl Hardware Co. for \$50, a new note at 30 days for \$100, and agreed to pay the balance inside of a week.
18. Your note for \$350, in favor of A. A. Gray & Co., falls due to-day and you are unable to pay it. They have agreed to let the note run upon your assurance of payment within ten days.

No journal entry is necessary for this transaction, but an explanation of the time extension should be noted on the books wherever the note is recorded. If the firm which holds the note has others of like nature, it might be well to transfer them to an Overdue Bills Receivable account.

20. You have cashed J. W. Hunter's sight draft on A. C. Farmer for \$35, and have sent the draft to Farmer with instructions to credit it to your account.

21. You gave Wm. H. Shaw a draft of 30 days for \$200, on H. C. Blair, in exchange for his note at 35 days for the same amount.

EXERCISE 10

Review Questions

1. What is an account? 2. Name the two general classes of accounts. 3. What does each class show? 4. How many kinds of accounts are there? Name them. 5. How can you tell to which class any account belongs? 6. What is contained in the Daybook? 7. Of what use is the Journal? 8. How may it be dispensed with? 9. What is the object of journalizing. 10. Give a logical *rule* for journalizing. 11. What is a *debit*? 12. What is a *credit*? 13. What is meant by *double entry* bookkeeping? 14. What is a Trial Balance? 15. When and how is it made up? 16. If the Trial Balance does not prove, what errors may have caused the difference? 17. Why should both sides of the trial balance be the same? 18. If you enter the wrong amount in an account, how should it be corrected? 19. Why is it necessary to make full explanations of business transactions? 20. What is *posting*? 21. What precautions should be taken when posting? Mention all the accounts that you know of that will show a *loss* or *gain*. State in each case why it shows such a result. 22. When are Bills Receivable credited? 23. What does the difference, if any, in Bills Receivable account show? 24. When are Bills Payable debited? When will the Bills Payable account balance? 25. What is meant by *resources*. 26. Name six different accounts that show resources. 27. What are liabilities? 28. If the resources exceed the liabilities, what does the excess show? 29. What will the difference show if the liabilities are the larger? 30. For what purpose are books of account kept? 31. How often should they be closed? 32. Why are the books closed? 33. What does the *Capital* account contain? What does the difference between the two sides show? 34. What is meant by the *net gain* of a business? The net loss? 35. What

effect does a *gain* or a *loss* have on the capital of the business?

36. What is a *Mortgage Payable* account? What does the balance show? 37. Why is a *Cash Book* used? 38. How are postings made from the Cash Book? 39. Why are the items on the debit side of the Cash Book posted to the opposite side of the Ledger accounts? 40. Is this true of cash payments also? 41. What is the object of the *Loss and Gain* account? Does it belong to either of the two general classes of accounts? 42. Explain how the Loss and Gain account is closed. 43. When is a personal account closed? What does the balance, if any, show? 44. What errors might be made in the books without affecting the equality of the Ledger? 45. What is cash? Currency? Money? A promissory note? A check? A bank draft? 46. What entry is made when cash is found? When goods are stolen? When a horse dies? 47. If the year's business shows a heavy loss, does it indicate that the firm is insolvent? Why? 48. Which book is the main book? Why? 49. What is a Balance Sheet? How is it made? 50. Give the several steps to be taken in *closing the Ledger*.

ANNUAL STATEMENTS

At regular intervals, either annually or semiannually, business men require statements showing the gains and losses for the year and the condition of the firm or company at the end of the year. The first statement is known as Loss and Gain Statement (or Profit and Loss Statement), and the second as Statement of Assets and Liabilities. The manner of setting forth the information contained in these statements varies somewhat with different bookkeepers, but in the end like results are obtained. Sometimes, instead of preparing separate statements, all of the information is combined into one exhibit known as a Balance Sheet. The information contained in the following Trial Balance will be used to exhibit the various ways of preparing annual statements.

Statements contain information for the benefit of the proprietor and should therefore be made in such a manner as will exhibit in a simple way the details of the business which he desires to know. The following forms are commonly used and may even be changed in any way desired to meet the ideas of the bookkeeper. The forms are numbered from 1 to 5 for convenience and will be referred to later in the exercises. Headings to statements are changed in wording slightly to include the different terms used. Resources and assets are synonymous terms.

TRIAL BALANCE

DEC. 31, 19—

Student Capital			5000	00
Cash	225	80		
Merchandise	7500	00	8400	00
Real Estate	5240	00		
Mortgage Payable			2500	00
Furniture and Fixtures	850	00		
Bills Receivable	1100	00		
Bills Payable			950	00
Freight	120	00		
<i>Carried forward</i>	15035	80	16850	00

<i>Brought forward</i>	15035	80	16850	00
Expense	460	00		
Salaries	1500	00		
Interest and Discount	110	00		
Geo. Johnson	80	50		
C. A. Lewis	116	40		
D. B. Connor	145	70		
James Turner	92	40		
S. W. Wright	39	20		
Howard Brothers			350	00
Chandler & Pierce			265	00
Murray Supply Co.			115	00
	17580	00	17580	00

Inventories

Merchandise	\$ 3400.00
Real Estate	5000.00
Furniture and Fixtures	800.00

(Form 1)

STATEMENT OF GAINS AND LOSSES

YEAR ENDED DEC. 31, 19—

<i>Gains</i>				
Merchandise :				
Sales	\$8400.00			
Purchases	\$7500.00			
Less Inventory	3400.00			
Cost of Mdse. Sold	4100.00			
Gross Gain on Sales			4300	00
<i>Losses</i>				
Freight on Merchandise		120	00	
Expenses		460	00	
Salaries		1500	00	
Interest & Discount		110	00	
Real Estate — Repairs		240	00	
Furniture & Fixtures — Repairs		50	00	
Total Expense		2480	00	
Net gain for year *		1820	00	
		4300	00	4300 00

* Red Ink.

(Form 2)

STATEMENT OF ASSETS AND LIABILITIES

DEC. 31, 19—

<i>Assets</i>					
Cash		225	80		
Merchandise Inventory		3400	00		
Real Estate		5000	00		
Furniture & Fixtures		800	00		
Bills Receivable		1100	00		
Accounts Receivable:					
Geo. Johnson	\$80.50				
C. A. Lewis	116.40				
D. B. Connor	145.70				
James Turner	92.40				
S. W. Wright	39.20	474	20		
Total Assets		11000	00		
<i>Liabilities</i>					
Mortgage Payable				\$2500	00
Bills Payable				950	00
Accounts Payable:					
Howard Brothers	\$350.00				
Chandler & Pierce	265.00				
Murray Supply Co.	115.00			730	00
Total Liabilities				4180	00
Student Capital Account:					
Investment	\$5000.00				
Add Net Gain	1820.00				
Present Net Capital *				6820	00
		11000	00	11000	00

* Red Ink.

ANNUAL STATEMENTS

(Form 3)

LOSS AND GAIN STATEMENT

YEAR ENDED DEC. 31, 19—

<i>Losses</i>		<i>Gains</i>	
Purchases	7500 00	Sales	8400 00
Freight Inbound	120 00	Inventory	3400 00
Expenses	460 00		
Salaries	1500 00		
Interest and Discount	110 00		
Real Estate Repairs	240 00		
Furniture and Fixtures	50 00		
Total charges	9980 00		
Net Gain *	1820 00		
	11800 00		11800 00

(Form 4)

RESOURCES AND LIABILITIES STATEMENT

DEC. 31, 19—

<i>Resources</i>		<i>Liabilities</i>	
Cash	225 80	Mortgage Payable	2500 00
Mdse. Inventory	3400 00	Bills Payable	950 00
Real Estate	5000 00	Accounts Payable :	
Furniture and Fixtures	800 00	Howard Brothers	350 00
Bills Receivable	1100 00	Chandler & Pierce	265 00
Accounts Receivable :		Murray Supply Co.	115 00
Geo. Johnson	80 50	Total Liabilities	4180 00
C. A. Lewis	116 40	Capital Account :	
D. B. Connor	145 70	Student's Investment	5000 00
James Turner	92 40	Add Net Gain	1820 00
S. W. Wright	39 20	Present Net Capital *	6820 00
	474 20		
	11000 00		11000 00

* Red Ink, if desired.

The above form (3) is often called Loss and Gain account since it is similar to a ledger account. The second form (4) is often called a Balance Sheet, as it consists of balances taken from the ledger accounts and both sides being equal.

(Form 5)

BALANCE SHEET (Columnar Form)

YEAR ENDED DEC. 31, 19—

L F	INVEN- TORIES	TRIAL BALANCE		LOSSES	GAINS	RE- SOURCES	LIABIL- ITIES
		Debits	Credits				
Student Capital			5000 00				
Cash		225 80				225 80	
Merchandise	3400 00	7500 00	8400 00		4300 00	3400 00	
Real Estate	5000 00	5240 00		240 00		5000 00	
Mortgage Payable			2500 00				2500 00
Furniture & Fixtures	800 00	850 00		50 00		800 00	
Bills Receivable		1100 00				1100 00	
Bills Payable			950 00				950 00
Freight		120 00		120 00			
Expense		460 00		460 00			
Salaries		1500 00		1500 00			
Interest & Discount		110 00		110 00			
Geo. Johnson		80 50				80 50	
C. A. Lewis		116 40				116 40	
D. B. Connor		145 70				145 70	
James Turner		92 40				92 40	
S. W. Wright		39 20				39 20	
Howard Brothers			350 00				350 00
Chandler & Pierce			265 00				265 00
Murray Supply Co.			115 00				115 00
		17580 00	17580 00	2480 00	4300 00	11000 00	4180 00
Net Gain*				1820 00			
Student's Invest- ment		5000 00		4300 00	4300 00		
Add Net Gain		1820 00					
* Present Net Capital							6820 00
* Red Ink.						11000 00	11000 00

The above form is known by accountants as Working Balance Sheet, as it contains an analysis of the various accounts preparatory to compiling the statements of losses and gains and assets and liabilities.

EXERCISE II

Notes and Drafts with Entries

Write the notes and drafts, and make entries for each party in the order named. Use pen and ink and ruled paper. Cut the paper to the proper size, and show all the indorsements.

APRIL, 19—

1. You received a note from C. B. Newman for \$300, dated Mar. 31, payable in one month, to apply on account. Six days later you transferred the note to John B. Ellison & Sons, by blank indorsement, to apply on account.

2. Gave your 30-day note for \$250 to S. W. Pratt in full for invoice of goods received to-day. He transferred the note to Pratt & Bowen by full indorsement and received credit on his account. Pratt & Bowen are in your debt and ask permission to charge the note to your account and have it canceled. You agree to accept it, and the receipted note is handed back.

3. Gave your demand note for \$150 to Loyd & Gray, in exchange for cash, which you expect to return within ten days.

This is merely an accommodation, and the note will be held until paid as an evidence of the debt rather than as a business transaction. The note may be paid in three or four days or it may run for ten or more, depending upon your success in getting the necessary cash.

4. Gave your 90-day note for \$350 to Baldwin & Co., to apply on account. Baldwin & Co. transferred it by full indorsement to H. G. Elliott Co. to apply on account. H. G. Elliott Co. discount it at the National Bank of Commerce, 45 days before maturity. It is paid when due.

5. W. C. Cullan's 60-day note in your favor for \$190 came due to-day. He gave \$90 in cash and a new note for the balance.

6. You renewed your 3-month note for \$225, in favor of Brown Brothers, Limited.

7. You drew at sight for \$240, on Chas. Brown & Co., Pittsburgh, in favor of Pennsylvania Trading Co. It was paid when presented.

8. You shipped merchandise, C. O. D., to Mayville & King, Buffalo, N.Y., \$428.50. Draw at sight on them for this amount and deposit the draft, with bill of lading attached, in the bank for collection.

This is a convenient way of collecting C. O. D. bills when the shipments are made by freight to distant cities. The bill of lading is pinned to the draft, which is either deposited in the bank or left there for collection. The consignee must produce the bill of lading in order to get the goods from

the railroad company, and before he can get the bill of lading he must pay the draft at the bank.

9. Received invoice of goods from John B. Ellison & Sons, New York, \$590.80. You paid at the bank a sight draft for same, which was attached to the bill of lading.

10. You drew at 30 days' sight on Jas. Flynn of Reading, Pa., favor Philadelphia & Reading Coal Co., for \$134. The draft was accepted two days later.

11. The draft given in number 10 was not paid at maturity owing to lack of funds, and you have sent a check to pay for same. The drawee wrote you about the matter, inclosing a bank draft for \$84, and his note at 30 days with interest at 6 % for the balance.

12. You drew at sight on Robt. Webb & Co., of Detroit, Mich., favor of Buhl Hardware Co., for \$225. The draft is returned dishonored.

13. You have discounted at the bank Geo. C. Swift's note for \$250 due in 36 days, and have indorsed it in full with waiver of protest and notice of protest. The note is paid at maturity.

14. You have placed two notes in the bank for collection and credit, one made by W. C. Cooper for \$90, due in 5 days, and one by J. K. Bryan for \$218, due in 8 days.

15. Your 30-day note for \$160 favor Boyd Grocery Co., dated Mar. 25, was transferred by them by special indorsement to Peter Smith & Sons, and by them handed over to you to apply on account.

EXERCISE 12

Set to be Worked. Card Ledger and Balance Sheet

Make record of the following business transactions, using Journal, Sales Book, Purchase Book, Cash Book, Card Ledger. Take off a Trial Balance, close the Ledger, and make Balance Sheet (columnar form).

NOTE. If Ledger cards already ruled are not to be had, they may be ruled up as needed, in any size desired. The standard size is 3 by 5, but cards for ledger are often made much larger.

- FEB. 1. You commenced business this day with a Cash Capital of \$3500.
2. Bought of W. Brock & Co., Boston, 50 doz. Men's Linen Shirts, at \$10; 100 doz. Ladies' Linen Handkerchiefs, at \$2.50; 2 cases Paper Cambric, 4000 yd., at 10¢; 200 yd. Bleached Cotton, at 10¢. Gave in payment note at 9 days for \$600; cash for balance.
3. Bought of J. V. Farwell & Co., on account, 50 yd. Irish Linen, at 40¢; 100 yd. Sheeting, at 11¢.
4. Sold to W. O. Thomas, on acct., 10 doz. Men's Linen Shirts, at \$12; 5 yd. Irish Linen, at 50¢.
5. Sold to Dodd & Brown, on their note at 30 days, 1 case Paper Cambric, 2000 yd., at 11¢; 10 doz. Ladies' Linen Handkerchiefs, at \$3.
7. Bought of H. B. Claflin & Co., on note at 30 days, 1000 yd. Gingham, at 10¢; 55 yd. Black Silk, at \$2.75; 100 yd. Broadcloth, at \$3.75.
9. Sold to G. B. Fairchild, on account, 30 yd. Black Silk, at \$3; 15 yd. Irish Linen, at 55¢.
11. Sent W. Brock & Co., check for note of the 2d inst., \$600, and interest on same, \$1.20.
12. Sold Henry Russell, 50 yd. Sheeting, at 12¢; 200 yd. Gingham, at 12¢; 10 doz. Men's Linen Shirts, at \$12. Received in payment, cash, \$50; balance on account.
15. Sold to C. A. Warren, for Cash, 14 yd. Broadcloth, at \$4; 1 case Paper Cambric, 2000 yd., at 12¢.
15. Bought of J. B. Clark, Store and Lot, No. 185 King Street, for \$4000. Gave in payment, cash, \$2000, and a mortgage on the property for \$2000 with 6% interest.
16. Received cash of W. O. Thomas on acct., \$75.
18. Sold G. B. Fairchild, on account, 100 yd. Bleached Cotton, at 12¢; 20 doz. Men's Linen Shirts, at \$12.50.
19. Received of Henry Russell his note at 30 days, to apply on account, \$100.

20. Sold to F. E. Arnold, 20 yd. Irish Linen, at 50¢; 800 yd. Gingham, at 12¢; 16 yd. Broadcloth, at \$4. Received in part payment J. V. Farwell & Co.'s order on you for \$25; balance on account, \$145.
22. Received of G. B. Fairchild, on account, cash, \$125, and his note at 30 days for \$200.
23. Paid taxes on store and lot, 185 King Street for current year, \$18.30.
24. Received cash of W. O. Thomas, on account, \$50.
25. Sold to Henry Russell, on account, 50 yd. Sheeting, at \$.14; 50 doz. Ladies' Linen Handkerchiefs, at \$3.
26. Paid H. B. Clafin & Co. cash, on note of the 7th inst., \$450.
26. Received cash of F. E. Arnold on his account, \$75.
27. Sold to W. O. Thomas 10 doz. Men's Linen Shirts, at \$12. Received in payment his note at 10 days, \$50; cash, \$50; balance on account.
28. Paid cash to Robert Law for 2 T. coal for use in store, \$14.
28. Received of Dodd & Brown, cash, on their note of the 5th inst., \$150.
28. Received cash of the following customers in part payment of their accounts: G. B. Fairchild, \$20; F. E. Arnold, \$40.
28. Paid cash for the following expenses: clerk's wages to date, \$60; gas bill for the month, \$10.80; advertising in the *Times*, \$12.

Inventory of Property Unsold

40 doz. Ladies' Linen Handkerchiefs	at	\$2.50
10 yd. Irish Linen	at	.40
25 yd. Black Silk	at	2.75
70 yd. Broadcloth	at	3.80
100 yd. Bleached Cotton	at	.10
Store and lot, number 185 King Street, valued at		4000.00

EXERCISE 13

Supplying Daybook Entries

Give Daybook explanations that would accompany each of the following Journal entries :

It is of course understood that many of these entries would ordinarily not appear in the journal, and that they are given simply as drills in analyzing.

- | | | |
|-------------------------------|----------|----------|
| 1. Henry Mueller, | \$600.00 | |
| Discount, | 2.50 | |
| To cash, | | \$102.50 |
| " Bills Receivable, | | 500.00 |
| 2. Bills Payable, | 200.00 | |
| To Bills Payable, | | 200.00 |
| 3. Bills Payable, | 400.00 | |
| To Bills Receivable, | | 400.00 |
| 4. Cash, | 150.00 | |
| Bills Receivable, | 150.00 | |
| To Sam'l F. Nolan, | | 300.00 |
| 5. Bills Payable, | 700.00 | |
| Interest, | 10.00 | |
| To Cash, | | 410.00 |
| " Bills Payable, | | 300.00 |
| 6. Cash, | 245.00 | |
| Cash Discount, | 5.00 | |
| To L. H. Highfield, | | 250.00 |
| 7. S. H. Brown's Consignment, | 540.00 | |
| To Commission, | | 20.00 |
| " Cash, | | 300.00 |
| " S. H. Brown, Principal, | | 220.00 |
| 8. Cash, | 346.50 | |
| Discount, | 3.50 | |
| To Bills Payable, | | 350.00 |
| 9. Cash, | 63.00 | |
| Loss & Gain, | 21.00 | |
| To Samuel Gray, | | 84.00 |

10. Loss and Gain,	745.00	
To Jas. Smith, Proprietor,		745.00
11. Jas. Smith, Proprietor,	165.00	
To Jas. Smith, Personal,		165.00
12. Cash,	346.50	
Discount,	3.50	
To Bills Payable,		350.00
13. Accommodation Bills Receivable,	100.00	
To Cash,		100.00
14. Cash,	238.80	
Discount,	1.20	
To Bills Discounted,		240.00
15. Bills Discounted,	240.00	
To Bills Receivable,		240.00

EXERCISE 14

Shipments and Consignments

Commission merchants are located in all large cities. They deal in produce, fruit, grain, poultry, live stock, etc., both on their own account and for their patrons.

Books and Accounts. The books to be kept for a commission merchant will depend upon the volume of business done and the wishes of the proprietor. The special books used are Receiving Book, Shipment Ledger, Consignment Ledger, Commission Sales Book, Account Sales Register. Care should be taken to separate merchandise shipped from the regular sales, also to keep sales of consigned goods separate from the regular sales.

Principal and Agent. The one who ships the goods is known as the *principal*, and the one who sells them as the *agent* or *factor*. When the agent sends an account sales without remitting at the time, he credits his principal for the amount due, as, "J. W. Long, Principal." The principal upon receipt of the account sales without any remittance will debit his agent for

the amount due, as, "Terry & Company, Agent." In this way all amounts due by agent to principal are kept separate from regular personal accounts. The agent or factor is simply custodian of funds belonging to his principal, the shipper; and if the agent should fail before remitting, the shipper could recover the full amount and not simply a pro rata share as a creditor. Care should be taken not to mix principal and agent accounts with the regular personal accounts.

Make Journal entries for each of the following in the order given :

1. You shipped merchandise worth \$820 to Gray & Co., commission merchants, New York, to be sold on your account. Prepaid freight, \$21.

2. Gray & Co. on receipt of the shipment paid for carting, \$3.75, and had the goods placed in their warehouse because of a lull in the market.

3. Gray & Co. sold part of the goods to Carter & Ryan for \$470, one half cash and the balance in ten days.

4. Gray & Co. sold the balance of the goods to Finley Produce Co. for \$500, on which they received cash \$300 and a 30-day note for the balance.

5. Gray & Co. rendered an account sales, after deducting 5% commission, and \$7.50 for storage. On account of the net proceeds, they turned over Finley Produce Co's note, \$200, their own 30-day note, \$300, and cash for the balance.

6. On receipt of the account sales and inclosures you immediately deposited the proceeds in the bank. The bank discounted the \$200 note for 24 days, and the \$300 note for 27 days. Show the Shipment account closed up.

Make entries for each of the following :

7. Blair & Miller shipped merchandise valued at \$350 to Jas. Leslie, commission merchant, Cleveland, to be sold on commission, with instructions to take advantage of the present active market. They paid freight \$14.00 and other expenses, \$3.25, in cash, and drew on the consignee at sight through the bank for \$150, on account of the net proceeds. The draft was deposited to their credit. Make the invoice of shipment.

8. Jas. Leslie, upon receipt of the goods, had the Turner Cartage Co. haul them to the warehouse, for which he credited their account with \$7.35.

9. Jas. Leslie paid Blair & Miller's sight draft upon presentation; and he sold part of the goods for \$135, cash.

10. The remainder of the goods were sold to the Cleveland Produce Co. for \$310, one half cash, and the balance in 10 days.

11. Jas. Leslie rendered an account sales and sent Blair & Miller \$100, by bank draft, the balance to be sent in 15 days. Commission 5 %, and storage, etc., \$3.70. Draw up the account sales.

12. Blair & Miller received the account sales and remittance. Show the Shipment and Agent accounts.

13. Show the entry for each party when the balance of the net proceeds is paid.

Make entries for each of the following :

14. You ordered merchandise, \$1200, from Chicago Supply Co., and asked them to ship to Smith Brothers, St. Louis, f. o. b. Chicago. Sent your check for \$500, to apply on account, also a sight draft for \$350, on Smith Brothers. Rule up the invoice of shipment and write the letter that is to accompany it. Ask them to honor the draft when presented.

15. Smith Brothers on receipt of the goods paid freight \$3.50, and did carting with their own teams, \$6.80. The market has taken a drop and they have placed the goods in storage.

16. They honored the draft for \$350, in favor of Chicago Supply Co., when presented by the bank, but notified the drawer that interest would be charged on same until they were repaid out of the net proceeds.

17. Part of the goods have been sold for \$500, to Thos. Mills, who has a contra account of \$215 against Smith Brothers. He gave his check for \$100, balance in a few days.

18. It has been found that goods to the value of \$38 have been spoiled and thrown away as worthless. The remainder has been sold to Sawyer & Brown for \$690. They gave to Smith Brothers a note for \$200, made by John Link, due in 30 days, their own note for \$200, a check for \$150 and the balance subject to call.

19. Smith Brothers rendered an account sales. Charges: commission, 5 %, sorting, 5 hours at 60¢, interest on draft, \$2. They sent on account of net proceeds, sight draft on King & Long for \$200, check for \$200, your own note for \$100, and the balance on account. Rule up the account sales.

20. You received the account sales and inclosures. Show entries and the accounts for the Shipment and Agent.

21. The draft on King & Long has been dishonored, owing to lack of funds, and you have returned it to the maker with a request for a remittance.

EXERCISE 15

Shipments and Consignments

Set to be Worked

Use Journal with special Mdse. Dr. column, Cash Book, Sales Book with columns for Sales and Shipments, and Ledger. Arrange the ledger accounts with care, and separate Merchandise Sales and Merchandise Shipments.

The student would get good practice by ruling up all outgoing invoices and account sales. Be careful to keep *agent* and *principal* accounts separated from the business accounts.

1. You began the shipping and commission business by investing cash, \$2000; merchandise on hand, \$3100; goods on hand belonging to Leland & Co.'s consignment, valued at \$480; goods belonging to J. H. Livingston's consignment, \$740, on which you have paid charges amounting to \$35; accounts due from A. L. Symington, \$180, and from W. B. Simson, \$230. You owe Leland & Co. as net proceeds of a consignment, \$800, also a note for \$395, balance of proceeds on a consignment from Philadelphia Commission Co., and to Chas. Braun & Co., on account, \$425. J. W. Link & Co., of Boston, owes you \$175, balance due on two different shipments.

2. Bought merchandise from Lee, Cady, & Smart, terms 2/10 net 30 days, \$1600. Gave check for \$1000, in part payment. This will indicate good faith and your ability to pay, and will insure further favors from that firm.

3. Shipped goods to Wiener Bros., Cleveland, for sale on commission, \$250. Paid freight and cartage, \$11. Instructed them to put the goods up for sale immediately and send the proceeds in cash. Sent Leland & Co. check for \$500, to apply on account.

4. Ordered goods shipped from Geo. S. Howell & Co., of Cincinnati, to J. H. Shaw & Co., Chicago, f. o. b. destination, to be sold on commission, \$640. Sent a check for \$200, in part payment, balance in 30 days. Received check from A. L. Symington to balance his account.

5. Have had John Savon do some assorting of goods in the warehouse for which you credited his account, \$14. Of this, \$8 is to be charged to Leland & Co.'s unsold consignment.

Cash sales of merchandise for the week, \$765.10.

6. Received goods from Beatty Supply House, Pittsburgh, to be sold on 5 % commission, \$310. Paid freight, \$9, and your charge for carting is \$3.50. The market has taken a drop, and you are advised to place the goods in your warehouse until prices improve.

7. Sold the goods belonging to Leland & Co., to Martin Grocery Co., for \$525. Terms cash, \$300, and the balance in 30 days. Received from W. B. Simson check to apply on account, \$150.

8. Sold the goods belonging to J. H. Livingston for \$675 (the very best you could do), to Chas. Brown & Co. Received cash \$250, on account of same.

9. Rendered an account sales to Leland & Co. Deducted 4 % commission, and \$25 for other charges. Settled with them in full by sending bank draft. Exchange 25 cents.

10. Renew the note of \$395 held by Philadelphia Commission Co., for 30 days, with interest 6 %. You have just been notified by the bank that it is held by them and will fall due in 5 days.

11. Shipped goods to the Chicago Produce Co., to be sold on commission, \$500. Prepaid freight, \$18, and cartage, \$4. Drew on this firm at sight for \$200, on account of the shipment, and deposited same in the bank. Notify them that you have done so, and request them to honor the draft upon presentation.

12. Received invoice from Geo. S. Howell & Co., Cincinnati, of goods shipped to J. H. Shaw & Co., Chicago, per your order of the 4th, \$640.

13. Received goods of D. Martin & Co., Cleveland, to be sold on commission, 5 %. Cost of same, \$390. Paid freight, \$8.35.

14. Received goods valued at \$195, of Blain & William, Buffalo, to be sold on their account and risk, commission 4 %. Paid freight on same, \$10, carting, \$2.45, and for sorting, \$3.50.

15. Shipped merchandise valued at \$540, to Marshall Field & Co., Chicago, to be sold on your account and risk. Paid cartage in cash, \$11.40. Received bank draft from J. W. Link & Co., Boston, \$100.

16. Cash sales of merchandise, \$639.40. Gave Chas. Brown & Co. check for \$300. Sold merchandise from Blain & William's consignment, to Lee, Cady, & Smart, \$150. Paid sundry expense bills amounting to \$85.70, and rent of store, \$150.

17. Sold the remaining merchandise from Blain & William's consignment to Martindale & Co. for \$150, terms cash, \$100, and the balance in 15 days. Rendered an account sales to Blain & William, and sent check for one half the net proceeds.

18. Received account sales of merchandise shipped to Marshall Field & Co., showing net proceeds, \$588. The commission was 4 %, and other charges \$17.80. Received their check for \$300.

19. Shipped merchandise valued at \$320, to Webster Bros., St. Louis, to be sold on commission. Paid carting and sorting of same, \$10.50. Sold merchandise to Peter Smith & Sons, \$245. Received their check for \$100, the balance to run 30 days.

20. Received cash from Chas. Brown & Co., \$300. Part of the goods belonging to Beatty Supply House have been sold for \$120, cash. Paid salaries to date, \$112, and other expenses amounting to \$35.

Cash sales, \$300.

Inventories: All unsold shipments, and other merchandise on hand, \$1700.

Make Trial Balance and Balance Sheet, and close the Ledger.

EXERCISE 16

Errors and Trial Balances

1. What is a Trial Balance? How often should it be made? What aid does it give to the bookkeeper, in addition to testing the equilibrium of the Ledger?

2. Should the Trial Balance contain both the debit and credit footings of accounts, or only the balances? There is an advantage in showing the totals of at least part of the accounts. What is this advantage?

In many cases, the Trial Balance serves as a kind of monthly statement, from which the management is enabled to get valuable information regarding the business.

3. Why are some bookkeepers always behind with their monthly Trial Balances, while others who have just as much work to do are always on time and punctual?

4. Mention a few of the reasons why numerous errors are found in some sets of books, and why there are but few or none in others. How may some of these errors have been caused?

5. Give the precautions that a bookkeeper should take in order to prevent errors on his books.

6. What effect will each of the following errors have on the books: error in calculating a bill of goods for a customer; omission of a Journal entry; omission of part of a Journal entry; posting a debit entry twice; posting an amount to the wrong side of an account; error in adding the Sales Book; placing an amount on the wrong side of the Trial Balance; bringing an account below the ruling on the wrong side of the account; neglecting to bring down a balance?

7. In each of the following cases, state what you think caused the error and how you would proceed to locate it: an error of \$100; an error of \$250; an error of \$3.48; an error of \$27; an error of \$288; an error of \$321.75; an error of 7 cents.

8. An assistant bookkeeper handed his superior a Trial Balance in which both sides agreed to the cent. Upon closer

inspection, several errors were found in the books which proved that the Trial Balance totals were wrong. Mention some of the errors that you think were in these books.

9. What advantage is gained by posting all the debits separately, and then all the credits? What is gained by recording all the Ledger pages before beginning the posting? In such a case, how can you tell what entries are posted and what ones not?

In a large concern where general and subordinate Ledgers are used, the head bookkeeper usually remembers the pages of the different Ledger accounts, and if the individual Ledger is loose-leaf or card, it may be self-indexing and not need a special index. Even where accounts are numerous, it is well to have the names and Ledger pages placed on a card for ready reference. The pages of the most active accounts can be memorized with a little effort.

10. When do you consider the best time to check the Ledger postings, or computations? How would you indicate that amounts have been examined and found correct? If it is necessary to check postings a second time, how would you proceed?

11. You began the year with an inventory of goods on hand worth \$9875.24, gross, which had been purchased at a discount of 3%. You purchase at a discount of 3%, but sell at the market price. During the year your gross purchases were \$32890.70 and sales \$36540.50. Show the Merchandise account, the present inventory, and the gain or loss on the turnover.

The turnover means the goods handled or disposed of.

12. The following errors are found: undercharged A. B. Smith \$10.50 on his invoice of recent date; omitted to enter up from the Check Book a payment of \$85 for a note paid at the bank; posted \$50.65 to the wrong (Cr.) side of R. Jackson's account; forgot to bring down the cash balance of \$170. How much is the Trial Balance out, and which side is the larger?

13. If your total number of accounts does not exceed 40, is it necessary to make a Trial Balance each month? If care is taken in posting, would it be advisable to dispense with the work of making a Trial Balance? Give reasons.

14. A Trial Balance is made immediately before the books are closed, and another immediately after. In what way do they differ as to amounts, and as to contents?

15. Show by illustrations how you would correct an amount in a book of original entry; also, how you would cancel a wrong entry and record it on a new page. Show how you would correct an error in a Ledger account. An account was ruled up, and, because of an error in adding, the wrong balance was entered and brought down; show the account and how it should be corrected.

16. In a set of books you found the following errors: Merchandise inventory of \$2190 was brought below the ruling on the wrong side; Notes Payable of \$350 was not carried below the ruling; a purchase from King & King of \$36.50 was posted to the wrong side of their account; a sale of \$65 was made to Bennett, but posted to Jewell's account; interest allowed to a customer was journalized correctly, but was posted to the wrong side of Interest account, \$6.92; a sale to Thompson amounting to \$138 was posted as \$183; a purchase from Shaw amounting to \$174 was entered in his Ledger account as \$1.74; a payment of \$36, to Bain, was entered in the Cash Book as \$63, and then posted to the wrong side of his account. Which side of the Ledger is the larger, and how should each error be corrected?

EXERCISE 17

Adjustment Entries

Use journal paper and make entries for each of the following as it should appear in the proper books of record:

The propositions may be used as a drill in journalizing or for showing the proper entries as above suggested.

1. You drew at sight on Arthur Lemmon of Pittsburgh for \$300, and sent the draft to Brown & Gray to apply on account. The draft was returned dishonored. Give the entry for each party.

The only entries made will be on the drawer's books. No entry should be made in any case by the payee or drawee, until the draft is honored either by acceptance or payment. If not honored, no entry is to be made.

2. Your sight draft on Schmidt & Co. of Albany for \$295.96, in favor of Smart & Turner in full for invoice of recent date, less 2%, has been paid. The draft was for \$45.96 more than Schmidt & Co.'s indebtedness, and they have sent you for acceptance a 20-day draft for this amount. You have accepted the draft; and they have placed an order for goods amounting to \$120, on which the draft will be applied in part payment when it matures. Give the entries for each party.

3. Healey & Healey have notified you that you overcharged them \$1.24 in your bill of the 1st. Sent them a credit note for the amount of overcharge. On what books of each party should the entry be made?

4. You owed S. J. Montgomery \$136.54, balance of account. You have paid same by check and closed his account. In response you have received a receipted statement, and also a credit memo. for \$27, the amount overpaid. In writing the check you entered the correct amount in figures, but transposed the words and made them read "One hundred sixty-three," for which amount the check was cashed. Make entries for each party.

5. Sent Chas. Maybury your 30-day note for \$65, but by mistake debited Bills Receivable and credited Maybury.

6. Your clerk charged a customer \$55.60 for merchandise sold and delivered, and the amount should have been \$65.60. You have advised the clerk of your intention to take \$10 from his month's salary when it comes due.

7. Cash is short for the day \$3.26. Yesterday's cash was over \$8.90, and it has been found that \$7.90 of it should have been entered to John Wagner's account.

8. Cashed C. W. Linen's check for \$30, giving him in exchange currency for \$22, and your check for the balance.

9. Exchanged your \$25 certified check in favor John Newman for currency. He has sent the check to New York in payment of goods ordered from Siegel, Cooper, & Co.

It is a common thing for people who do not have bank accounts to secure checks from business acquaintances as here indicated, to avoid the expense of money orders.

10. Received of John Wanamaker, Philadelphia, invoice for \$365.25, terms 2/10, n/30. Sent \$100, by check, upon receipt of the goods. The balance was paid by check 5 days later.

11. Received from Thos. Rea & Son credit note for \$8.35, being for a shortage of goods in their recent invoice to \$185.35.

12. A sale of merchandise for \$75 to Anderson Bros. was entered twice, the second charge having been made by mistake to Anderson & Co.

13. C. A. Norman, who owes you \$175, has just notified you that he has taken R. S. Bain into partnership and that the firm name hereafter will be Norman & Bain.

A memorandum of the change indicated above should be noted on the account; or if business dealings are to continue, the account should be transferred to the name of the firm. This may be done by carrying the balance down or by transferring the account to a new page.

14. You received on this evening's 5 o'clock mail the following: postage stamps for \$1.12 in payment of David Cook's recent bill; check from A. Lowrie to apply on account, \$67.85; a sight draft drawn by Wm. Hill on E. W. Clinton, to apply on account, \$125; a 20-day sight draft for \$200, on J. Armstrong, drawn by L. W. Edson, in full of recent invoice; a 30-day note in favor of Katen & Moore for \$162.50, interest 6%, which they have sent for your signature, to balance your account with them. Show entries for the day.

15. You have shipped merchandise, \$360, to Hyde & Stone, Boston, and deposited in bank a draft for the amount attached to the bill of lading. Prepaid freight, \$17.60.

16. Three days later the above draft was returned dishonored, and a letter from the firm stated that they were in financial difficulties and unable to pay the draft. You have asked the railway company to return the goods. You are short of funds and able to pay only \$110 on the draft; for the balance you discount T. Keating's note of \$100, less discount for 12 days, and loss on \$160 of Geo. Sweeney in order to secure funds.

17. You paid by check your note of \$185, and interest \$3.24. You found out later that the interest should have been \$1.98, and the payee has sent a credit note for the amount.

18. The balance of \$263.80 brought below the ruling of the Dr. side of Hyde & Calvert's account should have been \$268.30.

19. In preparing the recent Balance Sheet, the bookkeeper neglected to take into consideration accrued interest on mortgage payable, \$22.90; prepaid insurance premium, \$36.72; expense bills aggregating \$48.45; accrued interest on notes receivable, \$11.58; and the fact that you had given your accommodation note for \$200 to L. M. Harrison.

20. Your traveling salesman has collected from customers \$1254.50, and sent in \$850. His expenses, including an advance on account of salary, of \$100, aggregate \$287.20, as per his monthly report just received. The remainder of collections was kept by him to defray expenses. Sent him a check for \$100, the balance due on his month's salary. Show entries to cover all the items.

EXERCISE 18

Set to be Worked — Ledger Only

Ledger rulings in center of page

Enter the following transaction, using Ledger only, with the two money columns in the center of the page and the date columns at the outer edges. Take off a Trial Balance, make Balance Sheet, showing Gains, Losses, etc. (any form desired), and close the Ledger. Show a Trial Balance also after closing the Ledger.

This form of Ledger ruling has an advantage in that it presents the debit and credit amounts close together, thereby rendering it easy to make comparisons; there is a saving of time in ruling, also. Sometimes the two money columns are shown at the right-hand side of the page and all explanations at the left. The student will do well to keep on the lookout for other forms also, since there are several forms in use.

Your books closed at the end of September show the following results:

Resources:

Cash,	\$5046
Mdse. on hand,	6802
Due from A. Smith,	300
" " S. Frame,	1200
Bills Receivable,	1915

Liabilities :

Due to J. Morrow,	\$800
“ “ D. Hunt,	950
“ “ B. Dunn,	925
“ “ M. Burt,	1200
Bills Payable,	2700

Open the Ledger accounts by using the above results.

The transactions for October are as follows :

1. Paid M. Burt, cash on account, \$600.
2. Sold A. Good, on his note at ten days, with interest, Mdse., \$300.
3. Paid September gas bill in cash, \$6.
5. Gave B. Dunn your note at 13 days, with interest, in full of account, \$925.
6. Paid your note of Sept. 21, and interest, in cash ; face of note, \$1050, int., \$2.63. Bought of C. Kent, merchandise, \$600. Paid him cash on same, \$200 ; balance on account.
8. Received of S. Frame, in full of account, cash, \$800 ; his note at 60 days, \$400.
9. Received cash for note of Sept. 19, and interest. Face of note \$660, int. \$1.86.
10. Sold A. Smith, on account, merchandise, \$975.
11. Paid your note of Sept. 26th in cash, \$300.
13. Received cash of James Town, for his note of Sept. 23, \$397.50. Sold C. Collins, merchandise, \$1285. Received cash on same, \$785, his note at 30 days for balance.
15. Paid J. Morrow, cash on account, \$400.
- “ Received cash of A. Craig, for his note of Sept. 2, and interest. Face of note, \$300. The note is overdue.
16. Bought for cash a safe for office use, \$475.
- “ Bought of G. Gorman, merchandise, \$600. Paid cash on same, \$300, and gave your note at 60 days for the balance.
17. Sold S. Frame, merchandise, \$311.25.
18. Paid your note of 5th inst. in cash. Face of note, \$925.00 ; interest, \$2.00.
21. Collins prepaid his note of 13th inst., in cash, less discount. Face of note, \$500.

22. Received cash of A. Smith, on account, \$150.
 24. Sold W. Norton, merchandise, \$575. Received cash on same, \$225, and his note at 3 months, with interest, for balance, \$350.
 30. Paid clerks' salaries in cash, \$125.
 31. S. Frame prepaid his note of 8th inst., in cash, less discount. Face of note, \$400.
- Resource Inventories: Merchandise, \$2830; Expense, \$475.

EXERCISE 19

Miscellaneous Entries

Use journal paper and make suitable entries for each of the following:

1. Prepaid your note favor Samuel Keenan for \$360, less discount, \$1.60.
2. Paid short postage to the mail carrier, 4 cents.
3. Sent 50 cents in stamps from the stamp drawer for payment of 6 months' subscription to magazine.
4. Gave donation to charity, \$3.00.
5. Jas. Brown's check for \$50 has been returned by your bank marked "No funds," and you have lifted it by check.
6. Your traveling salesman has reported collections from Bain & Bain, \$135, and from Slimm & Co., \$310.50. Out of these he has used for expenses \$75.80, for one month's salary, \$100, and has sent to you \$225.

The salaries of traveling salesmen are usually credited to their respective accounts at stated periods against which they may draw at their pleasure. Traveling expenses are usually charged to an account of that name.

7. Paid interest on mortgage due today, \$60, also water rates and taxes, \$64.30.
8. Long & Burroughs have sent you a credit note for \$12.60, being an overcharge on their recent invoice of \$174.85.
9. For the year just ended, merchandise account shows a gain of \$4380.27; Expense, a loss of \$1164.80; Interest, a loss of \$8.76; Express and Cartage, \$42.16. Give the entries required to close the Ledger.

10. Paid a real estate agent \$25, commission for renting your Park Avenue residence.

11. Henry Ford is an old customer and has a running account. He has just made a cash purchase of merchandise from you amounting to \$75.80.

12. Sold merchandise to Dunn & Carter, \$360, on which they have prepaid \$150.

13. You paid by check, \$68.70, for coal delivered at your residence.

14. Bronson began business and invested Cash, \$1500; Merchandise, \$2500; and Furniture worth \$1100.

15. Smart began business and invested \$2000, which he had borrowed from a friend, giving his note with collateral security.

16. Jas. Fowler owes Bennett Brothers \$500, which he cannot pay. They have aided him to get started in business with the hope of receiving the old debt, by advancing merchandise valued at \$400. Fowler has borrowed \$50 from a friend with which to rent a small store, and has paid one month's rent in advance, \$40. Give Fowler's entries.

There are numerous instances where creditors have enabled debtors to regain themselves by extending credit. They believe that it is better to do so, than to withhold aid and lose all.

17. Referring to the above, at the end of six months Fowler paid \$350 to Bennett Brothers, and at the end of one year, \$350 more. Give Fowler's entries.

18. Paid cash for repairing store, \$150, for repairing delivery wagon, \$11.50, and for fixing sidewalk, \$22.50.

19. You are the proprietor of a business, and have taken for private use merchandise, \$16.60, cash, \$25, and your weekly allowance for salary, \$25.

20. Paid your note due today, \$300, and interest, \$1.80, by giving a new note with interest to cover the amount.

21. Your six months' note for \$600, drawing 6% interest, will fall due in one month. Pay the note to-day and secure the discount.

22. You have traded a Park Avenue residence, worth \$1500, with John Summers for a building lot on Willis Avenue, valued at \$1500.

EXERCISE 20

Review Questions

1. What do you consider the best kind of receipt for payment of an invoice? 2. In modern accounting, what use is made of the Journal? 3. What precaution must be taken when using books which contain numerous columns? 4. What advantage is gained by posting bills and notes from the Bill Book instead of through the Journal? 5. A firm issues several notes to creditors and also discounts its own notes at the bank; should these obligations all be included in the Bills Payable account? Give reasons for your answer. 6. What entries are required when customers' notes are discounted at the bank? 7. What is a Bills Discounted account? When is it debited and credited? 8. What entries are made when bills receivable are left at the bank for collection? When they are reported paid? 9. You negotiate a loan of \$4500 at the bank and hand over customers' notes to the extent of \$5000 as collateral security. How is this done, and what entries are to be made? 10. What is meant by inventory? At what price should goods be inventoried? 11. If goods are inventoried too high, what effect does it have on the gains of the current year? On the gains of the two subsequent years? 12. What are included in the *financial statements* of a business? 13. When are they made out, and for what purpose? 14. What is meant by *income* and *expenditure*? 15. What is a statement of *receipts* and *disbursements*? 16. Why are diagonal rulings used in Ledger accounts? 17. What is a Trial Balance? How often is it taken off? 18. Of what benefit is a Trial Balance if it does not prove the accuracy of the Ledger? 19. What, then, must the bookkeeper rely upon to enable him to give assurance that the books are correct? 20. With reference to time, how many ways are drafts drawn? Name them. 21. Three-party drafts serve a double purpose, while two-party drafts serve only a single purpose. Explain. 22. Give the entry for each party to a three-party time draft; also for a three-party sight draft. 23. How are two-party drafts, both time and sight, handled?

24. Why do some business men object to having drafts drawn on them? 25. What is trade discount? Why do wholesale firms use a series of trade discounts (as 60, 30, and 10) instead of one single rate of discount? 26. An invoice of goods is received; what verifications are necessary before it can be entered in the books? 27. The account for interest and discount has several accounts on each side; should the balance be carried to the Profit and Loss account or the total of each side? Why? 28. Give a rule for debiting and crediting interest and discount. 29. What subdivisions of Merchandise account are usually made? For what purpose? 30. What is Freight account? Should it be closed into Loss and Gain or into Merchandise?

ERRORS AND TRIAL BALANCES

A Discussion of Errors, their Prevention, Detection, and Correction

Errors are usually due to carelessness, or to the relaxation of that watchful care that a bookkeeper should always exercise. So long, however, as human nature is liable to err, just so long will errors occur on books of account. Nevertheless the bookkeeper should strive to prevent errors by exercising great care at every step of the work. It is much easier to prevent errors than to find them or even to correct them after they are once located. It is therefore better to go over the work twice at the time it is being done, than to wait until the trial balance period, and then have to spend from one to four days trying to locate errors.

“An ounce of prevention is better than a pound of cure.” Indifferent, half-hearted, slovenly work will produce errors, but the bookkeeper who works with the determination that errors shall not be made will not have many of them to deal with. It pays to do one's very best at all times.

Errors Classified. The following list indicates the errors most prominent, or the classification under which they usually occur: addition; posting; omission in posting; double posting; posting to the wrong side or to two accounts; transposition of figures in posting; transplacing or misplacing figures; carrying forward from one page to another; bringing down balances; closing accounts; footing the ledger accounts for settlement or for trial balance; calculating the differences of accounts; transferring amounts to the trial balance; entering on the wrong side of trial balance.

A great many errors are due to faulty addition, caused largely by poor figures or uneven arrangement of columns, erasures and corrections, figures placed upon figures, or to lack of con-

centration of thought. If one is tired, sleepy, and worn out, or in a hurry, he is liable to make mistakes, and the work done under such conditions should be reviewed with care at another time. Errors of 1, 10, 100, 1000, etc., are usually in addition.

Posting. Many errors are made in posting. Errors of principle often occur because of wrong journal entries, and while they may not affect the equilibrium of the ledger, the accounts so affected will be wrong. The bookkeeper should form a habit of testing the accuracy of every entry before it is posted; and he should see that all amounts to be posted from books of original entry are extended into the column which is to be posted as a total to the ledger account.

Posting Debits, then Credits. A good plan is to post all of the debits first, and then all of the credits, so as to prevent posting to the wrong side of the accounts.

Odd and Even Posting. Another plan is to have the debit and credit posting books paged with odd and even numbers, respectively. Thus, have the Sales Book paged 1, 3, 5, 7, etc., and the Purchase Book paged 2, 4, 6, 8, etc. The right-hand side of the Cash Book (containing debits to Ledger accounts) would be posted with odd numbers, and the left-hand side with even numbers. The debits and credits from the Journal should be paged accordingly. After the postings are completed a glance through the Ledger will detect any error that may have been made in posting. An even number in the debit page column or an odd number in the credit page column indicates an error.

Indexing. The work of posting can be facilitated by placing beforehand in the page column opposite each item to be posted the Ledger page, in the books to be posted from. An assistant may perform this part of the work. The index can then be laid aside, and as the amounts are posted a check mark (✓) can be placed beside the page figure. This plan will render errors less liable, since there is less to remember and fewer figures to look at.

There are two other safeguards used quite extensively by bookkeepers and can be found in some textbooks; space will not permit their elucidation here. They are Reverse Checking

or Proof Posting, and the use of Check Figures, as 9's, 11's, 13's, etc. It will pay to study them up.

Transposition. Figures are often transposed in posting or when carrying from one page to another, as \$548.26 entered as \$584.26. Misplacing or transplacing figures, such as entering \$384.00 as \$3.84, is often caused by leaving out ciphers when the items are even dollars. The cents column should not be left vacant, but filled with either ciphers or a horizontal line, the ciphers being preferable. Both of the above errors may be located by the use of the "9 figure" test. Never close a transaction partly recorded or partly posted, if possible. When forwarding amounts either from original books or from one page of the Ledger to another, be careful not to get them in the wrong column or on the wrong side. Always look a second time to see that the amount has been carried correctly. Footings forwarded should always go on the *same side* of the account or in the same column, but a balance goes to the *opposite side*. When bringing down balances, always see that the amount is actually brought down and placed on the proper side. Mistakes often occur by ruling up an account before it is actually balanced or by entering the wrong balance. This is a fruitful source of trouble and should be watched carefully.

When transferring amounts from the Ledger to the Trial Balance, the debits could be taken first and then the credits. This will guard against placing any of them on the wrong side.

There are many precautions that might be mentioned, but *care* is the key word to the whole subject. Indeed, under modern systems of account keeping, long, troublesome trial balances are the exception. The General Ledger, with its arrangement of capital, property, nominal and controlling accounts, can be balanced without much delay, while the Separate Ledgers, which contain only personal accounts, should present very few, if any, difficulties.

Locating Errors. Too much stress cannot be placed on *careful work* and *constant checking*. The postings of each day should be reviewed the following day in order to detect errors if any have occurred. Business must receive attention, and if

the Trial Balance is "out," the error should be found during spare moments or at night, or the discrepancy may be entered up until a more convenient time. It should be located, however, at the earliest possible moment. A new bookkeeper should make sure that his predecessor's Trial Balance is correct so as to save future delay and inconvenience.

If the Trial Balance does not balance, proceed to find the error as follows :

- (1) Add the Trial Balance both up and down, also all books and accounts. Keep adding until both ways give the same result.
- (2) Look for the amount out of balance, both in original books and in ledger accounts. The amount may have been omitted in posting. Look for one half the amount, which may have been posted to the wrong side of the Ledger. A mistake of 10, 100, or 1000 usually indicates an error in adding.
- (3) See that the correct amounts are carried to the Trial Balance.
- (4) If the amount out is divisible by 9, look for a transposition or transplacement.
- (5) Examine the Journal entries to see that all debit items equal the credit.
- (6) Examine all accounts that have been ruled up to see that they are correct, or that the correct amount has been brought down.
- (7) See that all footings or balances, either carried down or forward, have been placed on the proper sides of the account.
- (8) Check the postings, and place a check mark (✓) beside each amount found to be correct. Do not neglect the check mark. Any amount that is not checked should be investigated. If the error is not found, recheck the postings, but reverse the order by tracing from the ledger to the books whence the amounts are carried. Take each account separately and see that all amounts are correct before passing on to the next.
- (9) If the error is not found by one of the above methods, make a Skeleton Ledger as a last resort, as instructed below.

Correcting Errors. The methods of correcting depend upon the nature of the error and the books in which they are found. Adjustment and correction of entries are often required, and should be done in such a way as not to obliterate the original entry or to make the adjustment complicated and unintelligible. Erasures on *books of original entry* should not be made under

any circumstances, nor should they be made on any other books, if they can possibly be prevented. Original entries are the only evidence acceptable in a court of law, and erasures would seriously affect their reliability as evidence. They should contain a clear, complete, accurate history of the business transaction.

An error in a book of original entry may be corrected by marking the words "Void, Corrected page oo" in the margin, or it may be canceled by drawing red lines through the entry with the page where the correct entry may be found. The correct entry should note the place where the incorrect entry may be found. An error in computation, which is evident from the data given, may be canceled by drawing a red line through the wrong amount and by placing the correct figures above it in red ink. Corrections are usually made in red ink. Wrong amounts in a ledger account, or other book of subsequent entry, may be corrected as explained above, or in any other convenient way which may suggest itself.

Reverse Entries. Entries often have to be adjusted or reversed by having been posted to the wrong account; also because of rebates or returns or by having been journalized incorrectly. These adjusting entries can be made by any student who has a knowledge of elementary bookkeeping. In case a transaction has been journalized "Mdse. to J. C. Long, \$185," which should have been the opposite, two entries are required to make the correct adjustment; as "J. C. Long to Mdse., \$185," for neutralizing the first entry and putting the books in the condition they were in before the error was made. The correct entry may then be made. An amount posted to the wrong side of an account or to the wrong account may be corrected by drawing a red line through the figures; indeed, it is hardly advisable to let amounts remain in an account without some canceling mark to indicate that they belong to some other account. This plan will save confusion.

Skeleton Ledger. To make a "Skeleton Ledger" proceed as follows: Rule the head line and the vertical line that separates the debits from the credits in each account. Rule one of these forms for each account and write the name of the account just above the head line as shown below:

[illegible]

Transposition and Transplacement. If the amount out of balance is divisible by 9, the mistake may have been caused either by a transposition or a transplacement; this rule, however, is by no means infallible, as the amount may be divisible by 9 and be caused by some other means entirely, or by a combination of errors. To determine whether an amount is divisible by 9, add the figures horizontally; if the aggregate of the figures is divisible by 9 then the amount is also. *Example.* Suppose that \$138.00 has been posted as \$183.00, thereby increasing the side of the ledger by \$45. Since \$45 is divisible by 9, we look for a transposition, proceeding as follows: 9 will be contained in 45, 5 times; therefore, the amount transposed has a difference of 5 between the units figure and the tens figure. By running up the column an amount may be found showing a difference of 5; if upon investigation it is found not to be the one, continue the search. Suppose that \$436 has been posted as \$634, leaving an error of \$198. In cases like this the middle figure will always be a 9 and therefore may be omitted; then 18 divided by 9 equals 2. Look through the books for an amount having three figures, in which there is a difference of 2 between the right-hand figure and the left.

Transplacement. Suppose that \$530 has been posted as \$5.30, making an error of \$524.70, which is divisible by 9 and evidently a misplacement. To find the amount misplaced subtract the cents of the error from ciphers, as

From ciphers	00
Deduct the cents of the error	<u>70</u>
Leaving a balance of	30

Now look in the first column for \$30, and we find that in the absence of ciphers \$530.00 has been posted as \$5.30. Suppose that \$4.25 had been posted as \$425.00, giving an error of \$420.75, the same rule will apply; 75 deducted from 100 gives 25, which is the amount to be looked for.

EXERCISE 21

Miscellaneous Examples

The student is advised to rule up suitable forms for the examples given below. Forethought, care, and accuracy are the chief requirements, and each statement or form should be arranged so as to show clearly the information required.

1. At the end of the year, Merchandise account shows a debit balance of \$954.20, and the inventory is \$4675. Show the amount of gain or loss.

2. The sales of merchandise for the year are \$11640, the purchases, \$6380, and stock on hand, \$3845. If the sales were made at a gross profit of 20%, show the Merchandise account and the amount of gain or loss.

3. Illustrate by use of figures and Ledger accounts two methods of determining the gain or loss in the Merchandise account. Close the accounts and bring down the inventory.

4. The inventory at the beginning was \$3822.50, and at the ending \$3740.26. The purchases were \$5684.60, and the sales were made at a loss of \$474.80. Show the Merchandise account properly ruled up and the gain or loss.

5. A business shows an insolvency of \$840. During the year it lost \$8465. What was its condition at the beginning of the year? Show the Capital account.

6. Your business shows a gain of \$4675 for the year, and a net capital of \$2200 at the close. Show the Capital account properly closed.

7. Your Capital account shows at the end of the year a net capital of \$10566.80; it also shows a net loss for the year of \$1625.35. During the year you withdrew cash, \$1846.50, and merchandise, \$375.80; and reinvested \$1200. Show the original investment, and the account closed up at the end of the year.

8. From the following figures for the first year's business show a Merchandise account with the gain or loss: purchases, \$7321.75; sales, \$4215.80; destroyed during the year, \$984.20, on which \$800 insurance has been received; inventory at close, \$2136.90.

9. From the following Ledger accounts, show by properly ruled statements two methods of determining the present capital of each partner as at Dec. 31, 1908: A. Brown, Capital, \$2000; S. Bennett, Capital, \$2000; Cash, Dr. \$5850, Cr. \$4984.35; Mdse. Dr., \$7548.40, Cr. \$8235.40; Brown's Private account, Dr. \$125; Bills Receivable, Dr. \$435.80, Cr. \$250; Bills Payable, Dr. \$470.86, Cr. \$550; Expense, Dr. \$560; Real Estate, Dr. \$3197, Cr. \$138; Insurance, Dr. \$57.50; Rent, Dr. \$475; Commission, Cr. \$245; Accounts Receivable, Dr. \$968.34; Accounts Payable, Cr. \$1285.25. Inventory: Merchandise, \$3165.40; Real Estate, \$3000.

10. The following is a Trial Balance at the end of the year: Capital account, \$1284; Cash, Dr. \$12150, Cr. \$11012; Mdse., Dr. \$7500, Cr. \$6125; Real Estate, Dr. \$7000, Cr. \$8150; Bills Receivable, Dr. \$2500, Cr. \$500; Bills Payable, Cr. \$2100; Interest, Dr. \$129, Cr. \$212; Expense, Dr. \$350; J. Rail, Dr. \$222; H. Jacobs, Cr. \$468.

The net gain is \$1050, and the only property on hand is some unsold merchandise. Determine its value and prepare a Loss and Gain statement.

11. From the following details make a Cash account for the month, showing the balance on hand at beginning and end: At beginning, there was a bank overdraft of \$160.24; checks on hand, \$328.90; currency in safe, \$88.85; change in postage

stamp drawer, 34 cents; currency in the petty cash drawer in charge of the petty cashier, \$25; checks outstanding, \$134.25. During the month there were receipts from sales, \$6440; on account, \$845, less discounts, \$11.50; notes discounted, \$1000, discount, \$15. Payments for expense, \$2345.50; on accounts, \$3445; for note, \$500; for rebate, \$14.50; shortage in cash, \$4.10.

12. You made the following errors in your ledger: Allowed interest to a creditor \$2.57, and entered it on the wrong side of interest account; forgot to bring down below the ruling an old credit balance of \$18.76; paid a business note of \$200 with your own private funds and failed to give yourself credit on the book.

How much will your Trial Balance be *out*, and which side will be the larger?

13. By using the names Robt. Burns & Co., and Thomas Sinclair, illustrate how you would keep an index for the following: A bound Ledger, a loose-leaf Ledger, and a self-indexing Ledger.

14. You have drawn on Joseph Stevens at 10 days' sight for \$150 and deposited the draft in the bank less collection charges, 25 cents. He paid it upon presentation instead of accepting it. Give your entries.

15. You billed F. J. Mooney goods amounting to \$879.50, to be paid in 10 days less 3%. When the goods were received, the buyer discovered an overcharge of \$25 in the bill, and on examination he found that the stock was damaged to the amount of \$19. Claim was accordingly made and allowed and settlement followed. Give the entries for both yourself and Mooney.

EXERCISE 22

Set to be Worked. Books to be Ruled

Use foolscap paper, and rule up carefully all of the books and forms (outgoing) called for in the memoranda. Rule a special form of Ledger showing three columns at the right-hand side of the page for Debits, Credits, and Balances.

When taking civil service examinations in bookkeeping, the candidate is required to rule up his own forms, and this set is given largely with that end in view. The ability to make up neat forms will add to the efficiency of any bookkeeper, and should be practiced diligently. Any bookkeeper who cannot prepare neat, accurate forms and statements need never aspire to be an accountant.

1. Write up the following transactions, using Journal, Cash, Bill, Invoice, and Sales books as books of original entry. Keep an account with the bank, using any method you prefer. Post work and make out Trial Balance and Statements showing the Loss and Gains and the Assets and Liabilities. Balance the Ledger accounts.

4. You commenced business this day with the following resources and liabilities: Resources: cash on hand, \$3000; on deposit in Citizens Bank, \$4000; 100 bbl. flour at \$8.00; C. D. French's note dated Feb. 7th, at 30 days, \$200; James Harris owes on acct., \$500. Liabilities; your note favor of Geo. Wells, dated Dec. 14th, at 90 days, payable at Citizens Bank, with interest at 6%, \$500, interest accrued, 80 days on above note; due Hill & Co. on acct., \$375.

5. Bought of White Bros., on acct., 50 bbl. pork at \$15; 25 bbl. beef at \$18.75.

6. Gave Hill & Co. your check on Citizens Bank, to apply on acct., \$100. Sold O. W. Jones, on acct., 25 bbl. flour at \$9.00; 15 bbl. beef, at \$16.50.

7. Deposited cash in Citizens Bank, \$500. Sold for cash, 15 bbl. beef at \$18.75. Bought 8 tons coal at \$5.50, for cash.

8. Bought of Geo. L. Marsh on your note at 18 days, 50 bbl. beef at \$17.25.

9. Received cash for C. D. French's note due to-day. Paid White Bros. cash on acct., \$500.

11. Sold R. U. Barton 20 bbl. beef at \$18.50; 2 bbl. flour at \$9.00; received cash \$300, balance on account.

12. Paid cash for set of office books and stationery, \$25. Deposited cash in Citizens Bank, \$1000.

13. Received cash of O. W. Jones on acct., \$250.

14. Your note favor of Geo. Wells, and the interest on it due to-day, has been charged to your account at Citizens Bank.

15. Bought a safe for office use, and paid for same by check on Citizens Bank, \$225.

16. Sold O. W. Jones 25 bbl. beef at \$18.50, 25 bbl. flour at \$9.25; received his note at 13 days with interest payable at City Bank, \$500, balance on account.

18. Received cash of Jas. Harris on acct., \$200. Bought for cash 25 bbl. pork at \$15.

19. Sold H. A. Strong on his note at 60 days, 25 bbl. pork at \$16.25.

20. Sold for cash 10 bbl. pork at \$16.50. Drew cash from the business for your private use, \$50.

21. Sold for cash, 15 bbl. beef at \$18.50; 10 bbl. pork at \$16.25.

22. Gave White Bros. your check on Citizens Bank to apply on acct., \$300.

23. Sold for cash 10 bbl. flour at \$9.25; 5 bbl. pork at \$16.25.

25. Bought of White Bros. on acct., 25 bbl. beef at \$17.25. Received cash of Jas. Harris to balance account, \$300.

26. Paid your note due to-day in cash. Received cash of O. W. Jones on acct., \$222.50.

27. Bought of Geo. L. Marsh on your note at 25 days, payable at Citizens Bank, 50 bbl. pork at \$15.

28. R. J. Barton has compromised with his creditors at 25 per cent. Closed his account on that basis and received cash.

29. Had H. A. Strong's note, received 10th inst., discounted at Citizens Bank, and received credit for the proceeds. Received cash from O. W. Jones for his note due to-day.

30. Sold D. B. Oliver on acct., 20 bbl. pork at \$15.25; 10 bbl. beef at \$18.50. Paid salaries, \$250, and on rent of store, \$50, in cash.

Inventories

Merchandise: 15 bbl. flour at \$8; 40 bbl. pork at \$15; 15 bbl. beef at \$17.25.

Office safe, \$215; coal in cellar, \$25; rent due unpaid, \$15.

EXERCISE 23

Stocks, Bonds, and Mortgages

Make journal entries for the following:

1. You purchased from Hanan & Co. a house and lot for \$6000, paying \$3000 cash, and executing a mortgage for the balance.

2. Sold your Woodward Avenue residence to Joseph Bell for \$18000, with the understanding that he is to pay one half the taxes of 2 %, which will soon be due. Received in payment cash \$5000, a deed to a house and lot on Winder Street valued at \$8000, city bonds at par, \$3000, and a chattel mortgage on his furniture for \$2000.

A chattel mortgage is a mortgage on chattels or personal property, and must be recorded in the county records in order to entitle the holder to priority of claim. It is given in this case instead of a mortgage in order that the purchaser may receive a clear title to the residence.

3. Purchased of Cadwell & Co., for cash, the following: \$1000 2 % bonds at 103; 10 shares South Shore at 140; 20 shares R. I. Central at 105; 10 shares U. S. Copper Preferred at par; commission $\frac{1}{8}$ % in each case.

4. Transferred to Geo. Bennett 10 shares of C. L. R. stock at 160 to apply on account. This overpaid his account by \$76, which amount he returned by check.

5. You held a first mortgage of \$2500 on city property, which you exchanged with Thos. Kane for a first mortgage which he held on farm land, \$2000, a lot on Alger Ave. valued at \$500, and a check for \$250.

6. Brown Bros. & Co., brokers, have purchased for your account 100 shares of First National Bank stock at 120 (ex-dividend), \$5000 of B. & I. 4s at 98 $\frac{1}{2}$, and 10 shares Southern Steel at 134. Gave check for same, including $\frac{1}{4}$ % brokerage.

Ex-dividend means that a dividend has been declared on the stock though not yet paid, and that the seller retains the right to receive same when paid.

7. Sold through your brokers 20 shares of New Hampshire R. R. stock at 62 (par 50), ex-dividend of 3 %. Received a check for the proceeds, less $\frac{1}{4}$ % brokerage.

8. Deposited in bank coupons from B. & I. bonds, \$200, and dividend check of First National Bank, \$400.

It is the custom with business men to deposit bond coupons in their respective banks instead of presenting them at the office of the company for payment. Dividends are usually paid by check, with the words "Dividend Check" stamped across the face thereof.

9. Sold to Pratt Realty Co., mill and ground, Mill Avenue, for \$12000. They have assumed a mortgage of \$5000 that you owe on same and have canceled a mortgage of \$2500 held against your property on Park Avenue. Received the balance in cash.

10. You hold a block of 50 shares of stock of the Southern Coast R. R., which were recently purchased at 90 and $\frac{1}{4}\%$ brokerage. Sell 25 of these shares through DeHaven & Townsend, brokers, at $86\frac{3}{4}$, less $\frac{1}{4}\%$ for brokerage.

11. Southern Coast has advanced in price 3 points over the price paid. What effect, if any, will this have on the book account of your 25 shares?

12. Deposit with J. P. Marvin & Co., brokers, \$5000 as a margin, with instructions to purchase for your account, as a speculation, some industrial stocks that you consider likely to advance in price.

Margin buying is done very largely and is perfectly legitimate when handled by reputable brokers, who usually require a 10-point margin.

13. J. P. Marvin & Co., have submitted to you a detailed statement of your account with them, showing purchases, sales, interest, and brokerage. The balance to your credit is now \$5240.

14. Your broker reports that stocks bought for your account have taken a sudden decline, and that an additional deposit is needed in order to protect your margin. Telegraph them an additional \$1000, with instructions to use their judgment in the matter. Telegraph charges, \$10.50.

To send money by telegraph, the amount to be sent plus charges is paid to the local agent of the telegraph company. He telegraphs the order to the agent where the money is to be paid, stating the amount to be paid and the name of the payee.

15. Purchased through J. S. Black & Co., brokers, \$4000 par of Public Service registered bonds at 98 ex-interest. Brokerage, $\frac{1}{8}$ %.

Ex-interest means that interest on the bonds is due or nearly due, but not yet paid, and that the seller retains the right to receive it when it is paid. In the case of coupon bonds, the seller detaches the coupons and presents them for payment himself.

Coupon bonds are usually payable to the bearer and may be transferred from hand to hand at will, therefore the person who presents the coupons for payment has no difficulty in collecting the amount due on them.

EXERCISE 24

Special Column Cash Book

1. Rule up a form of Cash Book with three columns on each side; namely, on the Dr. side, Merchandise, Bills Received, and Sundries; and on the Cr. side, Bills Payable, Expense, and Sundries. Illustrate the use of the book and its closing by at least six entries on each side. Have the entries you thus use written out in Daybook form on another sheet of paper.

2. Write up a Cash Book for the following transactions, using a special column on each side for Cash Discount.

SEPT. 2. Began business with cash on deposit in bank, \$2500. Received the following remittances: Webb & Co., \$176 (discount already deducted, \$5); Black & Co., \$54; Bennett & Co., \$85 (discount already deducted, \$5); West & Co., \$516; Hamilton & Co., \$14; Smith & Co., \$64; Eaton & Co., \$16; Adair & Co., \$11; McKenzie & Co., \$29; Brown & Co., \$21; Best & Co., \$36; Graham & Co., \$39; Ward & Co., \$476.

These checks were all deposited in bank, and notes amounting to \$1435 were discounted. The bank charged \$20 discount, the balance being left on deposit. A charge of \$3 was also made by the bank for exchange.

SEPT. 3. Checks were received from Thompson & Co., \$95 (discount already deducted, \$5); Watson & Co., \$120 (discount already deducted, \$5); Deering & Co., \$171. These checks were deposited at once, the bank charging \$1 for exchange.

SEPT. 4. You issued checks to settle the following accounts: Palmer & Co., \$79 (less \$5 discount); Leming & Co., \$170 (less \$10 discount), Sampson & Co., \$503; Boswell & Co., \$47. Paid your note favor of Black & Co., for \$133, by check.

Close the Cash Book, showing balance brought down. Show the amounts in bank and in safe.

3. Rule up a form of Cash Book with special columns on each side for Cash Discount and Bank. All deposits and withdrawals are to be placed in the special columns which serve as a bank account. The difference between the two columns will show the balance in bank. The totals of the Bank columns are sometimes posted to the Ledger account, thus keeping the bank account in the Ledger. Make entries for the following:

JUNE 1. Alex. Gray began business with cash on hand, \$100, and on deposit in Fifth National Bank, \$3800.

JUNE 5. Received check in payment of Wm. Black's account of \$900, less 5% discount. Received of J. Miller cash in full for his note of \$400, due to-day. Deposited \$600.

JUNE 8. Gave check to John White in full of account of \$650, less 3% discount. Paid note favor H. Cook, due to-day, per check, \$200. Withdrew from bank \$600, of which \$540 was paid out as wages. Issued checks for bookkeeper's salary, \$60, and for rent, \$40.

JUNE 10. Discounted at bank T. Brown's note of \$155, and left proceeds on deposit, less discount, \$4. Received of H. Wood check in full of his account of \$400, less 5% discount. Deposited all cash on hand less \$25.

JUNE 15. Gave check to A. Long in full of note of \$320, and \$8 interest due on same. Received of Wm. Mackey in full for his note \$180, and \$5 interest on same. Balance the Cash Book and show the balances properly brought forward.

EXERCISE 25

Set to be Worked

Cash Book with Special Columns, and Bill Book

Rule up Cash Book and Bill Book and enter the following *business transactions*. Use the Bill Book as a principal book.

A Journal may be used to complete the entries where necessary. A Bank Account is to be kept in the Ledger. On the Dr. side use columns for Sundries, Discount Dr., Accounts Receivable, Cash, Bank Dr. On the Cr. side, for check number, Sundries, Discount Cr., Accounts Payable, Cash, Bank Cr. Balance the Cash Book, show manner of posting, and bring down the balance for each month.

Show the bank account in the Ledger properly ruled up.

JAN. 1. Began business with cash investment of \$20,000, \$19,000 in Bank of Commerce, and \$1000 on hand.

JAN. 5. Paid for bill of goods from John McDonald & Co., Cleveland, by giving 30-day note for \$200.

JAN. 10. Accepted Rice, Lewis, & Son's draft at 65 days' sight, dated Jan. 8, for \$300 in payment of invoice.

JAN. 11. Discounted for J. Cooper, W. Dunn's note dated Jan. 4, at 60 days; rate, 6%; face, \$475. Issued check for proceeds.

JAN. 15. Received of B. Johnson his note at 13 days for \$50, in payment of account.

JAN. 16. Deposited Johnson's note at bank, on discount of 5%. Deposited cash, \$500.

JAN. 20. Redeemed note No. 1; discount allowed, 4%; issued check for the amount.

JAN. 25. Loaned J. R. Hill cash on his note at one month for \$100, deducting interest in advance, 7%.

JAN. 28. Johnson being unable to meet his note due to-day, you retired it by check, and received from him cash \$30 and a 23-day note with interest at 6% for the balance.

JAN. 29. Deposited all cash on hand except \$130.

FEB. 1. Accepted John Kay & Son's 18-day draft of \$500 in payment of bills of goods.

FEB. 15. Borrowed cash from W. Roberts on your own note of \$400 at 30 days. Discount charged, 7%.

FEB. 19. Paid your acceptance due to-day in cash.

FEB. 20. Johnson's note proves to be worthless. Make entry to adjust the same.

FEB. 25. Received of H. Walker his note at 90 days with interest at 6%, for \$300, in full of account.

FEB. 25. Received from J. R. Hill, in payment of his note due to-day, cash \$50 and balance on 35-day note with interest at 6 %.

MAR. 5. Received cash in full for note due to-day.

MAR. 9. Deposited all cash on hand except \$200.

MAR. 14. Being unable to meet your acceptance in full to-day, you retired the same by paying cash, \$175, and the balance by 2 months' note taken at 6 % discount.

MAR. 15. Gave W. Elliott your note at 60 days for \$100, with interest, at 4 %, in full of account.

MAR. 17. Paid your note due to-day by check.

MAR. 31. H. Walker agreed to pay his note to-day if you would allow him 8 % discount. Accepted offer and received cash. Deposited \$300.

APR. 2. Received cash for note due to-day.

APR. 5. Accepted W. Elliott's offer to allow you a discount of \$5 and accrued interest on your note if you paid to-day. Issued check.

Post from the Cash and Bill books and take off Trial Balance.

EXERCISE 26

Books to be Ruled up

Columnar Sales Book, Purchase Book, Journal, and Bill Book

1. Rule up a Purchase Book suitable for a business having three departments; namely, Dress Goods, Millinery, Mantles. Enter therein the following purchases:

Nov. 1, From Fred Gies, an invoice of \$300, terms 5/30, of which \$180 is for Dress Goods and \$120 for Mantles.

Nov. 2, from Wm. White, an invoice of \$400, terms 3/10 n/30, \$160 for Millinery, and balance for Mantles.

Nov. 3, from J. J. Jerome, an invoice of \$500, terms 3/10 n/30, \$450 for Dress Goods, and \$50 for Millinery.

Nov. 4, from R. J. Bennett, an invoice of \$540, terms 3/10 2/30 n/60, \$140 for Dress Goods, \$230 for Millinery, and \$170 for Mantles.

Close the books at the end of the month and post to the Ledger. Show accounts for the departments and for the personal accounts.

2. Rule up a Sales Book containing columns for Items, Totals, Hardware, Drugs, Dry Goods, Groceries, Carpets, Boots and Shoes. Show suitable headings and rulings. Enter up sufficient items to show amounts carried forward to a new page, and to show the use of the several columns. Rule up the book as at the end of the month and show the method of indicating postings to the Ledger.

Show the items for each sale. It is not necessary that each sale shall contain goods from every department; but aim to have two or more amounts in each column. Try to have perfect rulings.

3. Rule up a Purchase Book for a department store having eight departments. The purchases and sales for each department are to be shown in special Ledger accounts. Enter sufficient items to exhibit the use of the columns and method of closing as at the end of the month. Show the Ledger account for each department.

4. Rule up a Columnar Daybook Journal, with columns on the Dr. side for Purchases, Bills Receivable, Accounts Receivable, Sundries; and on the Cr. side for Sundries, Accounts Payable, Bills Payable, Sales, Consigned Goods. Enter up sufficient items to show the workings of the columns, the Journal entries, and the closing as at the end of the month.

Purchase and Sales books would not be required when such a Journal as this is used, as all purchases and sales are contained in the Journal.

5. Rule a Bill Book from which all postings shall be made direct to the Ledger. Enter up sufficient items of notes and drafts receivable to exhibit the method of posting of both individual amounts and the totals, as well as the manner of handling renewals and partial payments. Show the closing as at the end of the month.

By using the Bill Book as a principal book a great amount of journalizing is obviated, and much time saved.

EXERCISE 27

Partnership Entries and Adjustments

1. Andrews and Billings entered into partnership to carry on blacksmithing. Andrews is a practical workman and invested nothing, but is to devote his entire time to the business and share one half the gains and losses. Billings invested shop and equipment valued at \$4000, and is to receive 6% on his investment before the division of profits is made. At the end of the year, the net earnings, before allowing interest on investment, are \$3200, of which each has drawn \$1000. Show the account of each partner, and all of the journal entries.

2. A's capital is \$5000. After carrying on business for seven months, during which time his gains are estimated to be \$950, he admitted B as an equal partner upon paying \$5950 into the firm. The books were not closed until the end of the year, at which time they showed a net gain of \$2350. Show the Profit and Loss account and the partners' accounts properly ruled up; also the necessary entries.

3. A, B, and C are partners sharing equally in gains and losses, but with unequal investments. At the end of the year there is due A for interest on investments \$134, due B \$75.50, and due C \$96.20. Make entries for adjustment of interest and profits, providing the net gain after allowing interest on capital is \$3570.

4. R. J. Bennett and W. H. Shaw are equal partners in a publishing business with a capital of \$6800, of which each owns one half. They have been doing a good business, and S. W. Kane is admitted as an equal partner upon payment of \$4500 into the firm and \$1000 as a bonus to each of the former partners. Adjust the matter so as to show an equal capital of \$4500 for each partner, and give the journal entry for adjusting. Show the partners' accounts after the adjustment is made.

5. Anderson and Brooks are partners in the clothing business with respective investments of \$4000 and \$5000. They share profits and losses equally and have just drawn their year's gain of \$3650 each. They consider their business, including good

will, worth at least \$18000, and on that basis have agreed to admit Brown as an equal one third partner; he has therefore paid \$3000 to each of the former partners. Make Journal entries to adjust the accounts so that each shall have \$6000 capital. How shall Anderson and Brooks adjust their difference in investments? Rule up and exhibit all of the Ledger accounts involved in the problem.

6. (a) Lenox and Madison are partners sharing gains and losses in proportion to their respective investments, each being allowed a salary of \$1000 before a division of profits takes place. Lenox invested \$5000 and Madison \$10000. Each has drawn \$500 on account of salary, which has been charged to his private account; the balance to be paid in a few days. The net gain before allowing for salaries amounted to \$5000, which is apportioned to their respective private accounts and to be drawn out later. Show the Profit and Loss account properly ruled up, also the capital and private accounts of each partner. Make the adjusting entries.

(b) Bagley is admitted as an equal one third partner by paying into the firm such an amount as will give him a third of the capital, including good will, \$4500. Adjust the capital accounts of Lenox and Madison so that each shall have an equal one third interest, and determine the amount that Lenox must pay Madison in order to make them equal. Show the Journal entry and partners' accounts.

EXERCISE 28

Financial Statements

Profit and Loss Statement, Resources and Liabilities, and Balance Sheets

It is the practice of business concerns to have prepared annual or semiannual statements setting forth the financial condition of the business at the time, as well as a summary of the business operations for the period under review. These statements are Statement of Profits and Losses and Statement of Resources and Liabilities (often called Balance Sheet). When

this information is all contained in one comprehensive statement it is called the Balance Sheet.

In this exercise, when balance sheet is asked for it means the columnar form.

1. From the following information prepare a Profit and Loss statement: Purchases of Merchandise, \$11690; Sales, \$7840; Inventory, \$5900; Expenses, \$640; Rent, \$400; Salaries, \$600; Interest, Dr. \$74, Cr. \$16.

"Loss and Gain" is a term just as much used as "Profit and Loss," and either one is suitable.

2. Prepare Profit and Loss statement from the following: Purchases, \$98700; Sales, \$87500; Returned sales, \$320; Returned purchases, \$175; Freight on goods purchased, \$180; Discounts allowed to customers, \$74; Wages and salaries, \$2300; Rent and taxes, \$2650; Discount and interest, Dr. \$143, Cr. \$52; Insurance on stock of goods, \$65, there being \$31 of same unexpired; Office and general expenses, \$2150; Traveling expenses, \$1180; Goods on hand, \$19120.

3. Prepare a Balance Sheet from the following accounts: W. F. Jewell, Proprietor, investment, \$11635, withdrawals, \$900; Purchases, \$12300; Sales, \$11850; Cash on hand and in bank, \$1040; Furniture, \$2100; Bills Receivable, \$1300; Bills Payable, Dr. \$590, Cr. \$2400; Personal accounts, Dr. \$4420, Cr. \$1210; Wagons and horses, Dr. \$2300, Cr. \$360; Freight and drayage, Dr. \$165, Cr. \$37; Insurance and taxes, \$205; Interest and discount, Dr. \$65, Cr. \$23; Expenses, \$850; Wages, \$1280. Inventories: Merchandise, \$7500; Furniture, \$2000; Wagons and Horses, \$1700; Insurance unexpired, \$45; Expense supplies, \$170.

4. From the following information for the first year's business prepare (a) Balance Sheet, and (b) Statements of Profits and Losses, and (c) Resources and Liabilities; R. J. Bennett's investment, \$15000; C. W. Coffin's investment, \$20000; Bennett has drawn from the business \$2500, and Coffin, \$2000. Building and Lot, \$10500; Mortgage payable, \$2000; Cash, \$2750; Furniture and Fixtures, \$2800; Personal accounts receivable, \$8840, and payable, \$3780; Bills and Notes receivable,

\$4900, and payable, \$2175; Merchandise purchases, \$37900, and Sales, \$38650; Freight on purchases, \$230, and on sales, \$85; Merchandise Returns, Dr. \$340, and Cr. \$190; Wages to Clerks and Workmen, \$4800; Interest and Discount paid, \$165; Expenses, \$3150; Subscriptions and Donations, \$340; Commission account, Cr. \$195; Taxes and Insurance, \$250; Bad Debts, \$440. The proprietors share gains and losses equally, and each is allowed a salary of \$1800, which has already been paid and charged to his private accounts. Inventories: Merchandise, \$14750; Furniture and Fixtures, \$2700; Building and Lot, \$10300; Interest accrued on Mortgage payable, \$40; Taxes and Insurance not yet used, \$225; Personal accounts are considered worth only \$8600, and a note for \$250 is considered worthless. What is the present capital of each?

Answer { R. J. Bennett's, \$15240.
C. W. Coffin's, \$20740.

Accounts Receivable should not be lessened, since it is not yet known what accounts are likely to prove worthless. The amount of estimated loss is entered as a liability inventory on the debit side of Profit and Loss account, and after the account is closed brought down on the opposite side, or else to the credit of Reserve for Bad Debts account.

EXERCISE 29

Cash Book. 12 Columns

Rule up a Cash Book, using the following special columns: On the Dr. side, Balance, General (or Cash in case it contains all cash received) Cash Discount, Dr., Sales Ledger, Bills Rec., Cash Sales; and on the Cr. side, General (or Cash) Cash Discount, Cr., Purchase Ledger, Freight and Express, Wages, Expenses. A Cash account is to be kept in the Ledger into which the total receipt and payments are to be posted. Enter up the following transactions:

- AUG. 1. Balance on hand, \$3600.50; paid rent for month, \$130, and Allan & Co. in full of account, \$164.20.
3. Received of Jas. Bailey, \$340, less 2%, and \$180 from J. Ferris for his note. Cash sales, \$164.

4. Paid Chas. Bacon, Jr., on account, \$174.30, and Samuel Bell for invoice of 1st, \$630, less 3%. Cash sales, \$78.20. Paid for cartage, \$3.75, and for expenses, \$37.60.
5. Received of Richard Fox, \$112.50, in full for his note of \$110, and interest \$2.50; of Thos. Beck, to balance account, \$125.25, and of John Barry, \$50 to apply on bill of 3d, \$250, terms 3/10, n/30. Paid note due to-day favor Edw. Smith, \$340, and interest \$3.40; for wages \$76.50, and for office salaries \$35.
6. Discounted H. Burr's note of \$350 at the bank, discount, \$3.50, and T. M. Beel's acceptance for \$280, discount, \$2.11. Cash sales, \$222.15. Paid Ed. H. Graham for invoice of 2d, \$80, less 2%, and Jas. Brady for bill of \$450, less 5%. Paid freight, \$12.32, and petty expense bills amounting to \$9.26.
7. Received \$12.60, being a refund of an overcharge on King & Gray's bill for books and stationery of last month. Cash sales, \$98.70. Paid Hunt & Wilson in full of account, \$164 net, after allowing a discount of \$3.65, and Thos. McBride for invoice of \$520, less 2%. Received balance of John Barry's bill of the 3d, less discount.
8. Received of W. S. Miller for note, \$360, less discount maturity, \$1.16; of Frank Hiller, \$14.60, for interest on loan; of T. M. Beel in full of account, \$175, and of D. B. Birch for invoice of 4th, \$112.40, less 3%. Cash sales, \$212.78. Paid C. M. Case & Co., \$109.80, to balance account after allowing \$2.14 discount; S. W. Carvin & Bros., for invoice of 5th, \$365.40, less 2%. Paid wages, \$210, and salaries to office staff, \$115. Paid for freight, \$9.10, and for expenses, \$26.35. Cash is found to be short \$3.70.

Close the Cash Book properly and bring down the balance. Indicate Ledger folios for amounts to be posted.

EXERCISE 30

Review Questions

1. What is meant by *double entry* bookkeeping? By *single entry*? 2. What is a debit? What effect does it have on the business? 3. What is a credit? What effect does it have on the business? 4. What is an account? How many kinds are there? 5. What are stated accounts, current, active, passive, fixed, real, nominal, personal, impersonal, capital? 6. There are certain accounts that always show a debit balance, and others always a credit balance, if any difference. Name six of them and tell which side will be the larger, and why. 7. Give two ways of finding the net capital; also the gain or loss on merchandise. 8. The Dr. balance of Mdse. account is \$7840, and the inventory is \$14925. What is the gain or loss? 9. How do you distinguish between *gross gain* and *net gain*? 10. In connection with a Ledger account, you find these abbreviations: Dr., Cr., To, By, Bal., f.o.b., Net, 3/10, n/30, do., Inv. 6/10. Give the meaning of each. 11. Why are bills receivable and bills payable always debited and credited at their face value? 12. Will the Trial Balance prove, if the totals of some accounts are entered, and only the balances of the others? 13. After the Ledger is closed, what do the accounts show? 14. Give five requisites of a book of original entry. 15. What is the difference between a *shipment* and a *consignment*? 16. What class of accounts does each belong to? 17. Should goods consigned to an agent be entered in the Sales account? Why? 18. Should the agent upon receipt of the goods enter them in the Mdse. account? Why? 19. What disposition should be made of an unclosed Shipment account at the end of the year? Of an unclosed Consignment account? 20. The factor renders an account sales to his principal, and sends one half of the net proceeds in cash. Give his entry. 21. Give the principal's entry upon receipt of Account sales and remittance. 22. Explain: consignor, consignee, bailor, bailee, principal, agent, factor. 23. When should accounts for *agent* and *principal*, respectively, be opened? On whose books would each appear,

and what would the balance show? 24. Why are Agent and Principal accounts not included with accounts receivable and payable, in the balance sheet? 25. Goods are sometimes consigned to agents, and settlements made at stated intervals of say 6 months. What entries would be required on the books of both parties, at the time of shipment, and at the date of settlement in full for goods sold? 26. What is a continued Trial Balance? What is gained by its use? 27. When new accounts are opened during the year, where are they entered on the Trial Balance? 28. Rule up a form of Trial Balance to run six months. Show the form also for recapitulation of totals. 29. When is the best time to have the fiscal (business) year end? Give reasons. 30. Why are running accounts with customers averaged or equated? Does either party gain or lose by averaging? 31. Monthly statements are usually sent to customers. What do they contain?

EXERCISE 31

Set to be Worked. Partnership

Change Single Entry to Double, Opening Special Books, Card Ledger

FEB. 1. J. R. Jones and C. H. Wilson are partners in the dry goods business, and have been keeping their books by single entry, sharing their gains and losses equally. They desire to have them changed to double Entry, and submit to you the following information, with instructions to make the necessary entries :

Cash in Bank, \$915.24 ; Cash on hand, \$300. Accounts Receivable — J. W. Lang, \$1472.20 ; C. W. Hunter, \$518.17 ; H. D. Parker, \$1527.80. Notes Receivable, \$1576.24. Notes Payable, \$518.32. Accrued Interest on Notes Payable, \$15.97. Accounts Payable — Robinson, Little, & Co., \$1618.35 ; R. C. Struthers & Co., \$1000. Mdse. in Stock, consisting of Mantles, \$3575.20 ; Millinery, \$2765.25 ; Dress Goods, \$2375.80. Fire insurance, prepaid, \$18.50. Jones invested \$6500. Wilson invested \$3000. Jones withdrew \$350. Wilson withdrew \$275.

After changing the books to double entry the business is continued, using the following as books of original entry: Journal; Purchase Book, with provision for three departments, namely, Mantles, Millinery, and Dress Goods; Sales Book, with columns for same three departments; Bill Book and Cash Book with special columns. Bank account to be kept in special columns in Cash Book. Use a Card Ledger.

Open at the beginning all the accounts for capital, property, losses and gains, merchandise, etc. Distribute the personal accounts in alphabetical order, but place all the other accounts in the first part by themselves.

2. Bought of Robinson, Little & Co., on account, 60 days, Mantles, \$ 350; Dress Goods, \$ 168.76. Paid rent for February by check, \$ 110. Sold to P. H. Long, Mantles, \$ 125, 3/10. Sold to C. W. Hunter, Mantles, \$97, 2/15. Received from H. D. Parker, cash, \$ 350.
4. Received from J. W. Lang, his ten-day note to apply on account, \$472.20. Bought of R. C. Struthers & Co., on account, Dress Goods, \$457.81, Millinery, \$500. Gave H. C. Hartley check for note maturing to-day, \$350.32. Sold P. H. Long, 5/10, Dress Goods, \$225.
5. The following errors affecting the books at the time of changing to Double Entry have been found: In adding Hunter's account, the Dr. side is found too small by \$10. A draft of \$100, favor of C. W. Rearick, had been accepted and charged to him, but omitted from the Bill Book. An inventory of Office Furniture, worth \$240, was omitted. Make necessary entries to correct.
9. Sold to P. H. Long, Mantles, \$ 118, 2/15. Received of C. W. Hunter, cash, in settlement of invoice dated Feb. 2. Sold H. D. Parker, Millinery, \$ 75, 2/15. Paid R. C. Struthers & Co., on account, by check, \$400. Gave Robinson, Little & Co., note at three months on account, \$250. Deposited cash, \$335.
10. Sold J. W. Lang, Dress Goods, \$225, Mantles, \$68.20, 3/10. Withdrew from bank, \$250, which was paid out in salary. Paid note for \$375.22, favor of G. W. Stuart, by check.
12. Sold H. D. Parker, Millinery, \$478.22, 5/15. Accepted R. C. Struthers & Co.'s draft at 10 days, on account, \$215. Sold C. W. Hunter, Mantles, \$87.50, 2/10. Received cash, \$100, from H. D.

Parker. Deposited cash, \$250. Received from H. D. Parker his 30 day note for \$175.

Inventories

Mantles, \$3598.20; Dress Goods, \$2658.35; Millinery, \$2572.11; Office Furniture, \$200.

Allow 5 per cent on Accounts Receivable for possible bad debts.

Accrued interest on Bills Receivable, \$4.80.

Post, take Trial Balance, make Balance Sheet, and close Loss and Gain accounts. If desired, separate statements may be made for Losses and Gains and Resources and Liabilities.

EXERCISE 32

Single Entry Set

To be worked and changed to Double Entry

Requirements:

1. Considering that you have been keeping your books by Single Entry, show a Day Book, Cash Book, and Bill Book for the following. Keep a Bank account in the Ledger.

2. Post your work to the Ledger.

3. Make out a statement for the purpose of showing the present worth and net gain or loss.

4. With the statement in hand, continue your Journal so as to show the entries that would be required to change the books to double entry.

5. Arrange the Ledger so as to show it prepared for beginning the work of August on double entry lines.

6. Show Trial Balance of Ledger when thus arranged.

JULY 1. Began a wholesale and retail carpet business. Invested cash on deposit in Merchants' Bank, \$4500; J. Winter's note at 32 days from June 2 last, with interest, \$300; S. Jones owes on account, \$300. You owe D. Henry on a note at sixty days from May 16, \$1100, with interest.

Rented store and paid July rent by check, \$75.

Bought office books and furniture by check, \$75.

3. Bought of G. Frame, Baltimore, Mdse., \$3070. Accepted his draft dated July 2, at 30 days' sight, for \$1300, and remitted the balance by draft on New York, bought at Merchants' Bank by check.

3. Sold G. James, Mdse., \$780. Drew on him at 10 days' sight for \$100, and received his check for the balance.

Received cash from J. Winter for his note of June 2, and interest.

6. Sold K. Daniels, Mdse., \$700. Received in payment his check on Bank of Commerce.

8. The draft on G. James is returned accepted. Date of acceptance, July 8.

Received from A. Collins, Mdse., \$1400. Sent in payment a draft for \$300 bought at Merchants' Bank by check. The balance to remain on account.

10. Received from S. Jones his note at 30 days for the balance of his account.

12. Sold to W. Mercer, Mdse., \$1240. Received in payment his note at 30 days, \$250, balance on account.

Discounted S. Jones' note of 10th inst. at the Merchants' Bank, receiving cash for proceeds.

12. Paid note, favor D. Henry of May 16 and interest, by check.

17. Paid acceptance of the 3d inst., favor of G. Frame, less discount, by draft bought at Merchants' Bank by check.

18. Received from W. Mercer a bank draft for \$200 to apply on account.

Received cash from G. James for his acceptance of the 8th inst.

20. On counting cash you find \$10 has been lost or stolen.

23. Paid A. Collins by draft bought at Merchants' Bank by check, \$300.
26. Took \$100 cash for private use.
30. Paid clerk's salary for July by check, \$90.

Inventories

Compute Mdse. by considering sales as made at 40 % profit.
Expense. — Office furniture valued at \$60.

EXERCISE 33

Set to be Worked*Loose-leaf System to be Used*

JAN. 1. J. R. Sherman of Chicago, who has kept his books by single entry, rather loosely, and with bank account in the check book only, has engaged you as bookkeeper. You are to use the same Ledger, also Journal, Sales, Purchase, and Cash books, with such special columns as you may deem expedient. Show the accounts in the Ledger, and make the entries necessary for the change required. Use an approved method of indexing the ledger.

Make use of a loose-leaf system throughout, and show every step as carefully and completely as if it were prepared for actual business.

It might be well to cut leaves of journal and ledger paper to one half the length in order to have sufficient leaves to illustrate the workings of the system completely. Punch holes in the leaves and use a string or ring or clasp to bind them together, while heavy backing paper may be used for covers.

The following is a statement of the business :

ASSETS		LIABILITIES	
Bills Receivable,	\$875	Bills Payable,	\$490
J. C. Mills,	125	H. R. Murphy,	135
D. F. Chisholm,	72	King & Co.,	407
Mdse.,	2163	Chicago Transfer Co.,	28
Cash,	2039	Interest,	15
Expense,	210		
Insurance,	74		
Furniture and Fixtures,	450		

Transactions to be entered:

- JAN. 2. Received goods as follows: King & Co., Duluth, \$310; terms 2/10, n/30 days. H. R. Murphy, City, \$180; 5/30, n/60 days. C. L. Mason, City, \$160.
3. Sold goods as follows: J. C. Mills, Peoria, \$165; 5/10, n/30 days. D. F. Chisholm, City, \$210; 2/30, n/60 days. R. M. Hattie, City, \$611. F. M. Jones, Hamilton, Ont.; \$160 (freight prepaid to Detroit, \$3.10).
4. Received following bills: Chicago Transfer Co., goods to depot, \$22.10; from depot, \$12.60. *Chicago Herald*, advertising one quarter, \$25. G. E. Boak & Co., for coal, shop, \$72.60, house, \$18.
5. Paid note No. 6, \$112, interest, \$1.72.
6. Paid for stamps, \$2.00; rent \$125 for store, \$30.00 for house.
8. Sent King & Co. bank draft for invoice of 2d, exchange $1\frac{1}{4}\%$.
10. J. C. Mills paid bill of 3d.
14. Discounted note No. 14 in our favor, \$230, disct., \$1.39.
16. Paid following accounts in full: G. E. Boak & Co., *Chicago Herald*, and Chicago Transfer Co.
18. Took out \$1500 policy on stock at $1\frac{1}{2}\%$. Paid cash for same.
20. H. Lennon's note for \$270 due at bank was dishonored. Paid it by check, also charges, \$3.10.
23. Paid H. R. Murphy for goods of 2d.
24. D. F. Chisholm paid his bill of the 3d.
25. Balfour & Co.'s draft for £130 16s 4d. is due at bank, with B/L attached, goods having arrived. Pay same at 4.875, duty at 20%, freight to Cunard & Co., \$14.60.
26. Prepaid note No. 32, \$142.50, discount, \$3.12.
25. Took 30 yd. bunting for decorations, at 15¢.
28. Drew on F. M. Jones at 30 days from date of sale; discounted same at bank.

29. Paid P. O. Soulis \$130 for Smith Premier typewriter; Ideal Furnishing Co., Lt'd., \$55.00 for desk, chairs, etc.
30. Paid clerks, \$110; H. R. Murphy, \$135.
31. H. Lennon gives new note at 30 days for \$200 and cash for balance due to date, including discount on new note.

Balance Cash Book, post, and take Trial Balance.

Inventories: Expense, \$200, also Rent due unpaid, \$125; Furniture and Fixtures, \$625; Insurance unexpired, \$22.50; Interest accrued on notes due by us, \$18.75; Stock on hand, \$3000.

Prepare the usual statements showing the condition of the business and the loss or gain for the period.

EXERCISE 34

Sales. Purchases. Merchandise.

Accounts to be Opened and Closed

1. Separate the items of this Merchandise account into Sales, Purchases, Returns, Discount, and Freight accounts. Show the accounts properly ruled up, balanced, and closed. Make the closing journal entries in proper order, and show the per cent of gross profit.

MERCHANDISE			
Inventory,	\$ 1920.38	Sales,	\$ 398.40
Purchases,	890.63	Discount,	11.22
Discount,	8.24	Sales,	500.00
Purchases,	2240.30	Returns,	28.75
Freight,	16.85	Sales,	275.70
Discount,	21.14	Rebate,	20.00
Returns,	75.00	Sales,	340.50
Purchases,	1100.00	Returns,	50.00
Freight,	11.50	Discount,	12.60
Rebate,	112.90	Sales,	1260.75
Discount,	6.40	Sales,	2500.00
Returns,	100.00	Inventory,	2980.50
Purchases,	420.00		
Gain,	<u>1455.08</u>		
	8378.42		<u>8378.42</u>
Inventory,	2980.50		

2. Rule up accounts for Merchandise, Purchases, Sales, Discounts, Rebates, and Allowances, Returns, Freight in, Freight out, Sales Consigned Goods. Enter sufficient items in each account to show its contents and workings, and close as at the end of the year. Show the Loss and Gain account after the gross gain has been closed into it.

3. Show a Trading (Merchandise) account, and a Profit and Loss account, for a company which manufactures and sells its own goods. Show the items that would ordinarily enter into each, and rule up the accounts, as at the end of the year.

4. A company buys and sells merchandise in large quantities, and also receives and sends merchandise to be sold on commission. It is desirous of having the accounts so arranged as to show separately all the merchandise bought and sold, as well as received and shipped on commission; also all of the other accounts concerned in the turnover, such as Freight, Discounts, Returns, etc. Rule up the necessary accounts, and enter therein sufficient data to illustrate their workings and methods of closing.

5. A company buys raw material and makes it up into finished stock for sale to the trade. It also buys and sells ready-made goods. In addition to this it receives and sends goods in large quantities to be sold on commission. Show all of the accounts involved in connection with material, goods, shipments, and consignments. Rule up a suitable Purchase Book to record raw material, ready-made stock, and consigned goods; also Sales Book to record sales of manufactured stock, ready-made stock, consignment sales, and shipments. Enter up sufficient data in each book to illustrate its use, and post to the Ledger accounts.

EXERCISE 35

Single Entry Statements

Changing Books to Double Entry

(1)

The following results are taken from a set of books kept by *single entry*: A and B are partners, each investing Cash,

\$3000. Personal accounts due firm at close of term, \$2800. Notes on hand, \$1200; Accrued interest, \$146; Cash on hand, \$850; Personal accounts due by firm, \$1866; Deposit in bank, \$2406; Unexpired insurance, \$150; Rent due and unpaid, \$180; Notes outstanding, \$600; Sum of invoices handled by firm, \$14288; Mortgage, favor of firm, \$2800, on which the accrued interest amounted to \$74.80. Sales Book contained three columns, showing sales for notes, \$3250; Sales for cash, \$5480; Sales on account, \$2210.

No attempt is traceable in regard to cost of expenses, but an inventory of office furniture, etc., showed \$315. Stocktaking also showed goods on hand, \$1210.

Make statement showing present worth and net gain; also show all necessary journal entries for changing books to double entry.

(2)

From single entry books you found the following results:

Total sales, \$18210; Total invoices, \$20240; Total expenses per special column in Cash Book, \$1526; Mortgage payable, \$6000, with interest, \$75; Bills Rec. on hand, \$2480; Real Estate inventory, \$8200; Notes outstanding, \$1138; Mdse. on hand, \$4065; Rent due and unpaid, \$120; Cash balance, \$8200; Personal accounts due by firm, \$4108; Personal accounts due to firm, \$3160; Balance on deposit in savings bank not in Ledger, \$465; Net credit to capital account, \$12200.

Supposing all expenses to be entered in special column, you found an error and traced it to Sales Book, being incorrectly added. Show error, statement, and entries for changing the books to double entry.

(3)

A, B, and C entered into partnership Jan. 1, 1908, investing \$4000, \$6000, and \$8000 respectively, agreeing to share losses and gains according to investments, and to allow A a salary of \$1800 dollars for managing the business, one half of which has been paid in cash. The books were kept in single entry form, and salary adjusted without the use of Journal. They showed at the end of the year the total resources to be \$38268, $\frac{2}{3}$ of which were Ledger accounts, $\frac{1}{3}$ of the remainder

were notes, $\frac{2}{3}$ of the remainder were shown by Cash Book, and the balance by inventories of Merchandise and Real Estate in ratio 12 to 13.

The liabilities: \$7200 in Ledger accounts; Rent due, \$468; Mortgage on real estate, \$1000; Interest due on mortgage, \$40; Bills payable as per Bill Book, \$800.

Find present worth of business and net gain. Make all necessary Journal entries for changing books to double entry, and show standing of partners' accounts after the change.

(4)

A set of single entry books is about to be changed to double entry, and from different sources the following data are gleaned:

Cash on Hand,	\$ 16400
Accounts Receivable,	6320
Accounts Payable,	8216
Bills Receivable,	4960
Bills Payable,	2276
Mortgage Payable,	12000
Interest accrued on Mortgage,	150
Total Mdse. Purchases,	40480
Total Mdse. Sales,	36420
Mdse. on Hand,	8130
Total Expenses for Year,	3052
Real Estate on Hand,	16400
Rent Due and Unpaid,	240
Balance in Bank per Check Register,	930
Proprietor's Investment,	28000
Proprietor's Withdrawals,	3600

There is evidently something incorrect, and the mistake is found in running up the total sales.

(a) Show the amount of mistake, how determined, and how corrected.

(b) Make out the usual statement preparatory to changing.

(c) Show ledger accounts after changing, including a Bank account.

(d) Make a Trial Balance of the new ledger.

EXERCISE 36

Partnership Adjustments

1. Anderson and Royce are general partners, and Allan the *special partner*. Their capitals at last balancing were as follows: Anderson \$5000, Royce \$4000, Allan \$15000, the amount originally invested by him. Anticipating large profits, their drawings were \$3000, \$2000, and \$1000 respectively. Through the failure of a debtor, they lose heavily, and are compelled to liquidate. After exhausting the partnership assets, including a gain on trading of \$3600, they still owe to creditors \$4200. Anderson has no personal assets, but Royce and Allan are well off. Adjust the matter and show entries. Show the Profit and Loss account and the partners' accounts properly closed up after all debts are liquidated.

2. (a) B. W. Kline is your bookkeeper. On May 1, he offers you \$900, providing you will agree to give him $\frac{1}{4}$ of the net profits at the end of the year. You accept the offer and the money is paid into the business. Make the entry. Does this make him a partner? (b) At the end of the year the net gain is \$3000. Show proper apportionment and the entries to adjust.

3. Three brothers, A, B, C, began business, each investing his personal note for \$500, the notes having respectively 3, 4, and 5 months to run. The notes are immediately discounted at the bank and bear the indorsements of the three partners; with the proceeds they purchase merchandise with which to carry on business.

Write the notes and give the entries required on the firm's books. Make the entry on payment of the first note, it having been paid by the firm. At the maturity of B's note, \$200 is paid by the firm and a new 90-day note given for such an amount as will equal the balance after being discounted. Make the entries.

4. A, B, and C are partners. A has \$800, B has \$1200, and C has \$1000. A offers to sell out his interest to Z. A new partnership is formed between Z, B, and C. Z buys out A's share and puts in \$200 more cash, and B takes the firm's note for \$200 to reduce his share and equalize capital. Give

the entry for the transfer of A's interest to Z, and for the additional investment of Z; also on giving the firm's note to B to equalize capital.

5. Baldwin and Wilson entered into a lumber speculation on Mar. 1, Baldwin depositing \$4500, and Wilson \$3500 to their joint credit at the Bank of Commerce. They agreed to share profits or losses in proportion to these amounts. Out of this they paid \$3500 for lumber, \$2500 for wages, and \$1000 for freight and other expenses. The sales up to Sept. 1 amounted to \$8000, which had been deposited in the bank, and a check issued to each partner for the amount of his investment. The business was then wound up, Baldwin taking over the unsold lumber at \$950.

(a) Submit a statement showing profit or loss on the venture.

(b) How should the partners settle with each other?

(c) Show each partner's account in the Ledger after settlement has been made and the business wound up.

6. W. Gray and John Hood purchased a business consisting of two stores for \$40000, Gray taking a $\frac{2}{3}$ interest and Hood a $\frac{1}{3}$ interest; they are to share gains and losses accordingly. Gray takes charge of one and Hood the other, each keeping a bank account in his own name. During the year Gray receives cash \$37720.19, and pays out \$29870.15; Hood receives \$40910.15 and pays out \$50912.24. The business is then sold for \$51330 cash, which is deposited to their joint account. Prepare a statement to be submitted to the partners, showing clearly what each one is entitled to.

7. James Green took into partnership Thomas Wood on the following terms: Green to have $\frac{2}{3}$ of the profit and Wood to have $\frac{1}{3}$. Green was to be allowed 4% interest on the capital invested, and Wood was to manage the business on a yearly salary of \$500 and $\frac{1}{2}$ % of the gross sales. Wood invested no capital. At the beginning of the year the following trial balance was taken:

<i>Dr.</i>		<i>Cr.</i>	
Purchase Acct.,	\$ 14370.00	Sundry Creditors,	\$ 4750.00
Sundry Debtors,	8380.00	Green's Capital Acct.,	21750.00
Cash on Hand,	3750.00		
	<u>\$ 26500.00</u>		<u>\$ 26,500.00</u>

At the end of the year the following trial balance was taken :

<i>Dr.</i>		<i>Cr.</i>	
Purchase Acct.,	\$ 62500.00	Green's Capital Acct.,	\$ 21750.00
Salary Acct.,	3750.00	Sales Acct.,	56750.00
Freight,	5750.00	Sundry Creditors,	6250.00
Expense,	500.00		
Cash on Hand,	6000.00		
Sundry Debtors,	5250.00		
J. Wood's Private Acct.,	1000.00		
	<u>\$ 84750.00</u>		<u>\$ 84750.00</u>

The goods on hand at this time were valued at \$ 20000. No entry has yet been made for the amount due Wood on salary account.

Make Journal entry for Green's interest on capital, and Wood's salary and commission. Also make statements showing the result of the year's trading and the present standing of the business. (The student may submit the particular forms of statements which in his opinion will best meet the requirements of the question.)

8. A and B enter into partnership to conduct a manufacturing business. A invests \$ 2846, B \$ 4732. Each partner is to give his whole time to the business and each to forfeit \$ 3.75 for each day he is absent from the business. B, in consideration of his larger investment, is to receive 2 per cent on total sales in addition to the equal share of profits with A. The following is a Trial Balance taken from the Ledger at the close of the books :

	<i>Dr.</i>	<i>Cr.</i>
A's Account (Proprietor),	\$ 5405.86	\$ 2846.00
B's Account (Proprietor),	7126.48	4732.00
Cash,	28646.44	25872.14
Bills Receivable,	9361.12	4186.73
Manufacturing Account,	30143.92	24372.41
Personal Accounts,	8439.46	12963.82
Real Estate,	6000.00	10928.18
Expense,	7924.73	
Bills Payable,	13420.00	26842.48
Interest,	828.44	296.00
Bank Stock,	8426.72	12683.41

The Manufacturing account is credited with all sales and debited with the cost of manufacturing the goods.

There is an inventory of \$18000 worth of manufactured goods on hand. A has lost 72 days and B 28 days. Make a Journal entry to adjust the lost time between the partners without putting it through the Loss and Gain account.

Prepare a Balance Sheet from the above, showing partners' gains or losses, present worth, etc., and show their Capital accounts after they are balanced.

What per cent profit was made upon the investment? Also what per cent. profit was made upon the sales?

EXERCISE 37

Civil Service Exercises

Set to be worked—Balance Sheet

From Civil Service Examination, with some modifications

First Exercise

Instructions: Rule up Cash Book, Journal, and Ledger, and enter up the transactions found in the memoranda below. Keep Bank account separate from the Cash account. Make no Day-book entries.

MARCH 1, 19—. Thomas Morris opened new books with the following resources: Cash in Citizens' Bank, \$7800; cash in safe, \$2687.50; merchandise, \$4768; real estate, \$9750; an account against William Rose, \$2360, a note given by James Wilson for \$1287.50, due in six months without interest, accounted at its present worth, \$1250.

His liabilities were an account due John West, \$2976; a note for \$900 due Arthur Moore, accrued interest to date, \$27.50; an acceptance at fifteen days for \$840, dated Feb. 15, 1905, drawn upon him by Abraham Naylor in favor of Joseph Kemp.

MARCH 2. Bought of Jones Bros., merchandise, \$5400. Gave in payment a note at six months, interest \$90, included in face of note; face of note, \$3090. Balance on account.

MARCH 6. Sold to Samuel Aikens, merchandise, \$2600. *Received in payment the acceptance mentioned in liabilities,*

\$840, and a draft on Chase Chemical Bank for balance (not deposited).

MARCH 13. Morris sold to John Kelso a half interest in the business for \$13000 in cash. (Account the difference between this valuation of the business and the valuation as shown by the opening entry as good will.)

MARCH 18. Sent Jones Bros. a draft at ten days' sight drawn by us upon William Rose in favor of Jones Bros. Face of draft, \$600.

MARCH 25. Bought of James Wilson merchandise, \$2400. Gave in payment his note mentioned in resources. Face of note, \$1287.50; present worth, \$1254.87. Balance on account.

MARCH 27. Sold Jarvis & Co. merchandise, \$3600. Received in payment a sight exchange for \$800 on New York, accepted at $\frac{1}{8}\%$ premium, and their note at twenty days for balance.

MARCH 29. Paid by check on Citizens' Bank the note due Arthur Moore mentioned in liabilities. Face of note, \$900; accrued interest to date, \$31.70.

MARCH 30. Discounted at the Citizens' Bank our note at six months, and received credit for the proceeds. Face of note, \$800; discount, \$24.

Post to the Ledger and take off a Trial Balance.

Second Exercise

From the data given below make out a balance sheet which shall include a Trial Balance, the inventory and statements of losses and gains, proprietors' accounts, and resources and liabilities.

On March 1, Charles Martin had on hand, as per inventory, Merchandise, \$5400; Real estate, \$7600; Unused office stationery, \$20.75. The balance of the cash account, as shown by the Ledger, was \$3640, and the balance of the bills payable account was \$2365. Accounts receivable, \$1820.40. Accounts payable, \$5125.20. The footings of the other Ledger accounts were as follows:

Debit footings: Charles Martin (proprietor), \$970; Merchandise, \$12800; Real estate, \$8000; Traders' Bank,

\$4780.25; Bills receivable, \$4620; Expense, \$90.25; Interest and discount, \$148.60; Joshua Miller, \$2897.50.

Credit footings: Charles Martin (proprietor), \$6797.85; Merchandise, \$7800; Real estate, \$120; Traders' Bank, \$3600; Bills receivable, \$3640.75; Interest and discount, \$197.80; Joshua Miller (proprietor), \$ (amount to be supplied by the competitor).

Divide profits equally when there is no agreement specifying otherwise.

EXERCISE 38

Cash and Monthly Statements, Income, and Expenditure, etc.

Question. Describe the following: Monthly Statement; Statement of Receipts and Disbursements; Statement of Income and Expenditure; Revenue Statement; Reconciliation Statement; Comparative Statement.

Answer. Where convenient the monthly statement may consist of the profits and losses for the month, as well as a statement of assets and liabilities. This, however, is not always possible, therefore it usually sets forth as much information as the proprietor may wish to have. It may be merely a cash statement showing receipts and payments; but as a rule it shows also the purchases, sales, expenses, etc., for the month, as well as the assets or liabilities soon to fall due, and whatever additional details are desired.

A Statement of Receipts and Disbursements is sometimes called Cash Statement, or Treasurer's Statement, and contains a summarized statement taken from the Cash Book. In financial concerns, where cash is the main thing handled, this statement is the chief exhibit. A brief form is shown below.

A Statement of Income and Expenditure is a Profit and Loss Statement, and exhibits the income (gains) and outlay (losses) of the business for the period under review, regardless of whether cash was a consideration or not. The terms *income* and *expenditure* are particularly appropriate to certain concerns or institutions, as insurance companies, loan companies, societies, lodges, *hospitals, churches, professional men, etc.*

Revenue is the income or returns derived from some business or enterprise. A **Revenue Statement** is synonymous with Profit and Loss Statement. Indeed, it is more comprehensive in meaning, since it includes everything pertaining to the conduct of the business, as shown by trading account and profit and loss account. Government reports are usually of revenue and expenses.

The **Reconciliation Statement** is simply a statement or formula which reconciles or proves the Cash and Bank accounts, or in which two or more different accounts or statements are made to agree. As a rule, the cash balance shows a certain amount, the bank pass book another, while the Bank account shows still another. There may at the same time be checks and currency on hand, checks issued but not yet presented for payment, etc. These must all be reconciled or made to agree.

A **Comparative Statement** is one in which the current amounts are compared with the amounts for the same period during the previous year or two, so as to show the increase or decrease amounts. Sometimes percentages are used, as they show more readily than amounts the rise or fall in trade or expense, and can be remembered more easily.

Following is a Statement of Receipts and Disbursements:

CASH STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR MONTH OF JULY, 1908

Balance from last month,		\$ 3,694.20
	<i>Receipts</i>	
From Sales,	\$ 4840.20	
From Customers,	2745.10	
From Notes Discounted,	985.00	
Sundries,	<u>124.15</u>	
Total Receipts,		8,694.45
Total,		\$ 12,388.65
	<i>Disbursements</i>	
For Creditors,	\$ 3725.60	
Notes Payable,	2100.00	
Labor,	2160.00	
Office Salaries,	1000.00	
Offices Expenses,	632.10	
General Expenses,	<u>968.45</u>	
Total Paid out,		10,586.15
Balance Cash on Hand,		\$ 1,802.50

Prepare suitable statements for each of the following :

1. Jan. 1. Cash on hand, \$124.10, and in bank, \$3470.92. Received from sundry debtors, \$4725.12; Cash sales, \$5248.76; Loans on mortgages, \$3000, and on notes, \$2400, less discount, \$76; Rebates, \$22.10; Notes receivable, \$900, and interest, \$23.40; Payments on accounts payable, \$5725.16; Cash purchases, \$1150; Salaries, \$3500; Labor, \$5190.50; Office expenses, \$2980.60; Petty expenses, \$37.50.

Make a Cash Statement.

2. Cash Book balance, \$2875.40; Bank account, \$2340.75; Checks in safe, \$480; Currency, \$54.65; Pass book balance, \$2865.25; Checks outstanding, No. 732, favor R. King, \$87.50, No. 731, favor A. Brown, \$375.20, No. 712, favor W. Wilson, \$61.80.

Make statement to reconcile the amounts.

3. Cash Book balance, \$10061.90; Balance in State Bank per check register, \$3742.25; Savings account, \$5000; Overdraft in City Bank, \$122.40, per check stub; Checks in safe, \$854.20; Sight paper for presentation the following day, \$290; Currency, \$512.60; Cash items, \$75.25; Imprest Cash fund, \$50; Balance per State Bank pass book, \$4467.85, and per City Bank pass book, \$7.24; Checks outstanding, State Bank, No. 342 for \$100, No. 375 for \$382.75, No. 376 for \$42.85, No. 377 for \$125, No. 378 for \$75; Outstanding, City Bank, No. 67 for \$78.22, No. 68 for (?).

Make statement to reconcile the above.

4. Referring to Exercise 7, from the cash transactions prepare a Statement of Receipts and Disbursements for June. Assuming that three checks are outstanding, prepare a Reconciliation Statement to accompany the Cash Statement.

5. Referring to Exercise 29 for 12-column Cash Book, from the data given prepare a Statement of Receipts and Payments for August.

The teacher may use his discretion in using all or only part of the data shown in this exercise.

6. Referring to Exercise 28, question 3, from the information given prepare a Statement of Income and Expenditure. Use *the form of statement, similar to the Cash Statement shown above,*

showing the income first, and the expenses following. The balance will be the net gain or loss. What is the per cent of gross gain on the turnover? The per cent of net gain? The per cent of salaries? Of expenses?

7. Prepare a suitable Monthly Statement for the month of March to be presented to the president of a retail shoe store. It is to contain an analysis of the receipts and payments of cash, the sales and purchases, discounts received and allowed, total accounts and notes receivable and payable, amount of notes and accounts soon to fall due, etc.

By placing the amounts for the corresponding month of last year in small red ink figures under the amounts, a convenient comparative statement may be provided.

EXERCISE 39

Review Questions

1. When and why are accounts opened for employees?
2. What is the best way of handling the records of wages?
3. What is the difference between *labor* and *salaries*?
4. Your property is mortgaged. Is interest on the mortgage an expense to the property, or should it be entered to interest account? Why?
5. How are such items as prepaid insurance premium, prepaid taxes, prepaid rent, etc., handled when closing the books?
6. What is a liability inventory? Name three, and explain how they would be handled when closing the books.
7. What is depreciation? Appreciation? Wear and tear?
8. Property worth \$10000 depreciates in value to \$9500. How should this be shown on the books?
9. What rate of depreciation should be considered on buildings, machinery, and furniture?
10. The present market value of merchandise is below the cost thereof. At what price should goods purchased at the high price be inventoried at the close of the year?
11. For what purpose is a partnership usually formed?
12. Should a partnership agreement specify how the books and accounts are to be kept? Why?
13. If the partners do not invest equal amounts, how are profits and losses apportioned?

14. In case of dispute, how would an accountant divide the profits of a partnership where no written agreement exists?
15. Why is interest sometimes allowed to one or more of the partners?
16. On what is interest usually computed? Should such interest be charged against profits? Give reasons.
17. Should the net profits be credited to the partners' capital accounts, or to the private accounts? Give reasons for your answer.
18. To what account should their drawings be charged?
19. When is it preferable to have the capital accounts remain intact?
20. What is a Partners' Statement? How does it differ from a statement of resources and liabilities?
21. What is a Trading account? When and for what purpose is it used?
22. What is a Profit and Loss Statement?
23. What is a Balance Sheet?
24. Why are the yearly statements divided into Trading, Profit and Loss, and Resources and Liabilities?
25. What advantage has this subdivision over the columnar form?
26. When closing the books, what is gained by transferring the losses and gains by means of Journal entries?
27. What is a controlling account? Give an example of its use, and state what is gained by methods of bookkeeping requiring such an account.
28. What are *fixed* and *floating* assets? *Fixed* and *floating* liabilities?
29. What are quick assets? What is plant? Fictitious assets?
30. What are *contingent* liabilities? Fixed charges?
31. What are the duties of a head bookkeeper? Assistant bookkeeper? Entry clerk?

To avoid fine, this book should be returned on
or before the date last stamped below

SON-9-40

--	--	--

unnett, R.J. **627484**
Bookkeeping and accounting exercises.

LIBRARY, SCHOOL OF EDUCATION, STANFORD

627484

627484

657,2
B 472
Pl. 1

